



## **Ambac Files Complaint Against the Financial Oversight & Management Board for Puerto Rico, Alleging PROMESA Violates U.S. Constitution's Uniform Bankruptcy Law Requirement**

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NEW YORK--(BUSINESS WIRE)--May 26, 2020-- Ambac Financial Group, Inc. (NYSE: AMBC) ("Ambac" or "the Company"), a financial services holding company whose subsidiaries include Ambac Assurance Corporation, a guarantor of financial obligations in run-off ("Ambac Assurance"), today announced that Ambac Assurance has filed a complaint in the United States District Court for the District of Puerto Rico against the Financial Oversight & Management Board for Puerto Rico ("the Oversight Board").

The complaint seeks a declaration that Titles I, II, and III of the bespoke federal statute enacted in 2016 to enable Puerto Rico to restructure its debts, the Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA"), are unconstitutional and unenforceable on the ground that they violate the uniformity requirement of the U.S. Constitution's Bankruptcy Clause.

Under this clause, the United States Congress may legislate on the subject of bankruptcies, but all such laws must be uniform. This is designed to prevent the enactment of one-off bankruptcy rules customized to specific debtors. By virtue of PROMESA, Congress has singled out the Commonwealth of Puerto Rico and its instrumentalities for special treatment as a debtor, in stark contrast to the requirements of the U.S. Constitution.

Elizabeth Prelogar, Partner at Cooley LLP representing Ambac in this complaint, said, "Armed with PROMESA provisions that apply only to Puerto Rico and to no other territory or municipal debtor, the Oversight Board has steered Puerto Rico's bankruptcy far afield from any prior restructuring proceeding. No creditors of any other territory, municipality, or governmental debtor have been subject to the sort of discriminatory treatment being faced by creditors of the Commonwealth—and the Constitution requires uniform bankruptcy laws to guard against this result."

The Oversight Board's contentions regarding the scope of its powers under PROMESA are disputed by multiple parties in the ongoing Title III cases, including Ambac and the government of Puerto Rico. But they illustrate how PROMESA's unique provisions have already skewed the bankruptcy process to the detriment of Commonwealth creditors and the people of Puerto Rico, requiring creditors to defend against unprecedented incursions on their property and other legal rights. Meanwhile the Oversight Board continues to spend hundreds of millions of Puerto Rico taxpayer dollars on legal and other advisors, despite calling for austerity measures and cuts to pensioner payments.

Decisions under PROMESA have had broad-sweeping negative impacts on the U.S. municipal market, upending longstanding investor expectations. No matter the ultimate outcome of the various disputes about the Board's authority under PROMESA, these disputes illustrate how PROMESA, as applied by the Oversight Board, departs from ordinary debt-adjustment proceedings, with consequences that become ever more injurious as the cases proceed. Under existing bankruptcy laws, no other territory, governmental entity, or Chapter 9 debtor could threaten creditors with putative powers to dictate priorities in contravention of state or territorial law, to pick and choose which creditors to pay with impunity while obtaining a discharge, or to impose allocations of assets and available funding for debt service without meaningful judicial scrutiny.

### **About Ambac**

Ambac Financial Group, Inc. ("Ambac" or "AFG"), headquartered in New York City, is a financial services holding company whose subsidiaries include Ambac Assurance Corporation, a guarantor of financial obligations in run-off. Ambac's common stock trades on the New York Stock Exchange under the symbol "AMBC". The Amended and Restated Certificate of Incorporation of Ambac contains substantial restrictions on the ability to transfer Ambac's common stock. Subject to limited exceptions, any attempted transfer of common stock shall be prohibited and void to the extent that, as a result of such transfer (or any series of transfers of which such transfer is a part), any person or group of persons shall become a holder of 5% or more of Ambac's common stock or a holder of 5% or more of Ambac's common stock increases its ownership interest. Ambac is committed to providing timely and accurate information to the investing public, consistent with our legal and regulatory obligations. To that end, we use our website to convey information about our businesses, including the anticipated release of quarterly financial results, quarterly financial, statistical and business-related information, and the posting of updates to the status of certain residential mortgage backed securities litigations. For more information, please go to [www.ambac.com](http://www.ambac.com).

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