

Bond Case Briefs

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Ambac Sued Over Losses, Exposure Tied to Puerto Rican Bonds.

Ambac Financial Group Inc. was sued by an investor who claims the company misled shareholders about its losses and exposure on its public finance bond portfolio, including \$2.5 billion in Puerto Rican debt.

Joseph Pirinea sued in Manhattan federal court on Tuesday, alleging Ambac, one of several insurers that guarantee Puerto Rico's municipal debt, had an inherently risky portfolio and was likely to become liable for material payments when the commonwealth defaulted on its debt obligation. Pirinea asks that the plaintiffs be allowed to sue as a group.

Ambac officials assured investors that "we have historically experienced low levels of defaults in our public finance insured portfolio," according to the complaint. The insurer said that "high severity outcomes are unprecedented and would represent a paradigm shift in the municipal market," the fund claimed.

The truth about the quality of Ambac's guarantee portfolio was exposed after Puerto Rico Governor Alejandro Garcia Padilla announced in June 2015 that the commonwealth's debt of more than \$70 billion was "not payable" and Puerto Rico would likely default on future interest payments, according to the plaintiffs.

"Such news would send the company's stock price careening downward, falling roughly 29 percent," according to the suit. "Not surprisingly, since this announcement, Ambac has continued to record significant write-offs to account for the substantial undisclosed losses related to Puerto Rican bonds."

Abbe Goldstein, a spokeswoman for Ambac, didn't immediately return a call seeking comment on the suit.

The case is Pirinea v. Ambac Financial Group, Inc., 16-cv-5076, U.S. District Court, Southern District of New York (Manhattan).

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