

AMBAC FINANCIAL GROUP INC

FORM 8-K (Current report filing)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): December 1, 2016

Ambac Financial Group, Inc.

(Exact name of Registrant as specified in its charter)

Delaware

(State of incorporation)

1-10777

(Commission
file number)

13-3621676

(I.R.S. employer
identification no.)

One State Street Plaza, New York, New York 10004

(Address of principal executive offices) (Zip Code)

(212) 658-7470

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01 Regulation FD Disclosure.

Ambac Financial Group, Inc., a holding company whose subsidiaries, including Ambac Assurance Corporation, provide financial guarantees and other financial services, today announced that, effective January 1, 2017, the Board of Directors authorized three corporate governance initiatives related to the Board and executive compensation.

First, the Board has adopted a Recoupment Policy. In the event of material financial restatement or the imposition of a material financial penalty, this policy provision provides that the Company may recoup incentive-based compensation received by executive officers during a three-year look-back period. A complete copy of the Recoupment Policy is attached as Exhibit 99.1 to this Current Report on Form 8-K.

Second, the Board has adopted an Executive Stock Ownership and Retention Policy (“Stock Ownership Policy”) applicable to each of its executive officers. The Chief Executive Officer, Chief Financial Officer and other executive officers will be required to own and hold Ambac common stock valued at six times, three times and two times their annual base salary, respectively. There is no required time period within which these executive officers must attain the applicable stock ownership level under the Stock Ownership Policy and nothing in the Stock Ownership Policy requires executive officers to meet their applicable stock ownership levels through open market purchases of Company common stock. Until an executive officer complies with the Stock Ownership Policy, the executive officer is required to retain 100% of net profit shares (which excludes shares withheld to cover payment of any exercise price or any applicable taxes) from any compensatory stock award on exercise, vesting or earn-out. A complete copy of the Stock Ownership Policy is attached as Exhibit 99.2 to this Current Report on Form 8-K.

Third, the Board has authorized changes to its non-employee director compensation plan. Beginning in 2017 non-employee director cash retainer and stock-based compensation, in aggregate, will be reduced by 33% compared to 2016, and will have a higher percentage component of equity compared to cash compensation. The Board also approved changes in fees paid to the Chairman and to the Chairs of its four committees. Additionally, non-employee directors will receive fees for attending meetings beyond a certain number of meetings in a calendar year. A description of the changes to the non-employee director compensation plan is attached as Exhibit 99.3 to this Current Report on Form 8-K.

The information furnished pursuant to this Item 7.01, including Exhibits 99.1, 99.2, and 99.3, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended or the Exchange Act.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits. The following exhibit is filed as part of this Current Report on Form 8-K:

Exhibit Number	Exhibit Description
99.1	Ambac Recoupment Policy effective as of January 1, 2017
99.2	Ambac Executive Stock Ownership and Retention Policy effective as of January 1, 2017
99.3	Description of changes to the non-employee director compensation plan effective as of January 1, 2017

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**Ambac Financial Group, Inc.
(Registrant)**

Dated: December 1, 2016

**By: /s/ William J. White
First Vice President, Secretary and Assistant General
Counsel**

Exhibit Index

Exhibit Number	Exhibit Description
99.1	Ambac Recoupment Policy effective as of January 1, 2017
99.2	Ambac Executive Stock Ownership and Retention Policy effective as of January 1, 2017
99.3	Description of changes to the non-employee director compensation plan effective as of January 1, 2017

Ambac Financial Group, Inc.**RECOUPMENT POLICY**

Statement of Intent. The Board of Directors (“**Board**”) of Ambac Financial Group, Inc. (“Ambac”) believes that it is in the best interest of Ambac and its stockholders to encourage outstanding leadership, accountability and responsible risk-taking that benefits the long-term success of Ambac and its subsidiaries (collectively, the “**Company**”). Accordingly, the Board has adopted this Recoupment Policy (the “**Policy**”), which shall be effective as of January 1, 2017 (the “**Effective Date**”), and shall apply with respect to any Material Financial Restatements for periods ending after the Effective Date or any Material Financial Penalty incurred after the Effective Date.

Definitions. For purposes of this Policy, the following definitions shall apply:

“**Covered Employee**” means each employee who was subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) at any time during the performance period relating to the applicable Incentive-Based Compensation.

“**Incentive-Based Compensation**” means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a financial reporting measure. Financial reporting measures are measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, any measures that are derived wholly or in part from such measures, and stock price and total shareholder return measures.

For the avoidance of doubt, Incentive-Based Compensation does not include (i) base annual salary, (ii) compensation that is awarded based solely on service (e.g., a time-vesting award, including a time-vesting stock option, restricted share or restricted share unit), (iii) compensation that is awarded solely at the discretion of the Compensation Committee of the Board (*however* , the exercise of negative discretion with respect to an award that is otherwise based on attainment of a financial measure will not be considered discretionary for this purpose), or (iv) compensation that is awarded based on subjective standards, strategic measures (e.g., completion of a transaction) or operational measures.

“**Look-back Period**” means the three completed fiscal years immediately preceding the date on which the Company incurs a Material Financial Penalty or is required to prepare a Material Financial Restatement, with such date, in the case of a Material Financial Restatement being the earlier of: (i) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company’s previously issued financial statements contain a material error; or (ii) the date a court, regulator or other legally authorized body directs the Company to restate its previously issued financial statements to correct a material error.

“**Material Financial Penalty**” means a penalty, fine, or other monetary sanction levied against the Company after the Effective Date by a regulator or other Federal or state governmental authority in an amount deemed material by the Board in its sole and absolute discretion.

“**Material Financial Restatement**” means the restatement of one or more previously issued financial statements of the Company, for any period ending after the Effective Date, due to a material error or a series of immaterial errors which could be considered material when viewed in the aggregate of any applicable financial reporting requirements under the securities laws.

For the avoidance of doubt, a Material Financial Restatement shall not include any restatement required due to changes in accounting rules or standards or changes in applicable law, including as a result of (i) retrospective application of a change in accounting principle; (ii) retrospective revision to reportable segment information due to a change in the structure of the Company's internal organization; (iii) retrospective reclassification due to a discontinued operation; (iv) retrospective application of a change in reporting entity, such as from a reorganization of entities under common control; (v) retrospective adjustment to provisional amounts in connection with a prior business combination; or (vi) retrospective revision for stock splits.

The Board shall take into consideration any applicable interpretations and clarifications of the Securities and Exchange Commission ("SEC") and the NASDAQ Stock Market ("NASDAQ") in determining whether an accounting restatement qualifies as a Material Financial Restatement for purposes of this Policy.

"Misconduct" means a material act of dishonesty, fraud or misrepresentation or a willful and material violation of a Company policy or law, in each case that directly causes (i) the applicable Material Financial Restatement, or (ii) the imposition of a Material Financial Penalty against the Company.

"Recoverable Compensation" means any Incentive-Based Compensation received in the Look-back Period during which (i) the financial reporting measure specified in the applicable award is attained or (ii) the conduct giving rise to the imposition of a Material Financial Penalty against the Company took place. If the grant or earning of an award is based, either wholly or in part, on satisfaction of a financial reporting measure, the award would be deemed received in the fiscal period when that measure was satisfied, in each case without regard to any ongoing service-based vesting requirements. Furthermore, if an award is granted or earned upon satisfaction of financial reporting measures that are based on multiple fiscal years (e.g., a three-year average), the whole award would be deemed Recoverable Compensation for purposes of this Policy if any single fiscal year of the performance period occurs during the Look-back Period.

Forfeiture and Reimbursement. In the event of a Material Financial Restatement or the imposition of a Material Financial Penalty, the Company will require, to the fullest extent permitted by applicable law, that a Covered Employee forfeit and/or reimburse the Company for all or such portion (if any) of the Covered Employee's Recoverable Compensation as determined in the sole and absolute discretion of the Board, in accordance with the following guidelines:

1. *No Misconduct.* If a Covered Employee did not engage in Misconduct, the amount of Recoverable Compensation that may be forfeited and/or reimbursed to the Company by such Covered Employee, if any, shall be determined in the sole and absolute discretion of the Board and shall not be greater than the amount of Recoverable Compensation that exceeds the amount that otherwise would have been received had it been computed based on the Material Financial Restatement, and shall be calculated without regard to any taxes paid. For Recoverable Compensation based on stock price or total shareholder return measures, the amount that may be forfeited and/or reimbursed to the Company shall be based on the Board's determination of the effect of the Material Financial Restatement on the stock price or total shareholder return on which the Incentive-Based Compensation was received. In the absence of Misconduct, no forfeiture or reimbursement shall be required as a result of a Material Financial Penalty.
2. *Misconduct.* If such Covered Employee engaged in Misconduct, the full amount of Recoverable Compensation may be forfeited and/or reimbursed to the Company by such Covered Employee, as determined in the sole and absolute discretion of the Board.

To the extent that a Covered Employee does not make reimbursement to the Company under this Policy within a reasonable time following demand by the Company, or any shares of Recoverable Compensation have been sold by the Covered Employee, the Company shall have the right to reduce, cancel or withhold

against outstanding, unvested, vested or future cash or equity-based compensation, or require a substitute form of reimbursement, in each case to the maximum extent permitted under applicable law.

Notwithstanding anything to the contrary, forfeiture and reimbursement of Recoverable Compensation with respect to one or more Covered Employees shall not be required if, as determined by a majority of the independent directors of the Board, the costs of enforcing recovery would exceed the recoverable amounts or application of this Policy to such Covered Employee(s) would violate applicable law.

No Indemnification . The Company shall not indemnify any current or former Covered Employee against any loss of compensation under this Policy. In no event shall the Company be required to award Covered Employees an additional payment if a Material Financial Restatement would have resulted in a higher incentive compensation payment.

Acknowledgement by Covered Employees . The Company shall provide notice and seek written acknowledgement of this Policy from each Covered Employee as soon as practicable after the later of (i) the Effective Date and (ii) the date on which the employee is designated as a Covered Employee, provided that failure to obtain such acknowledgement shall have no impact on the enforceability of this Policy.

Authority and Interpretations . This Policy generally will be administered and interpreted by the Compensation Committee of the Board. Unless otherwise stated herein, any determination by the Compensation Committee with respect to this Policy shall be final, conclusive and binding on all interested parties. The determinations of the Compensation Committee, the Board or the independent Directors of the Board under this Policy need not be uniform with respect to all Covered Employees.

This Policy is intended to comply with, shall be interpreted to comply with, and shall be deemed automatically amended to comply with, Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as it may be amended from time to time, and any related rules or regulations promulgated by the SEC or the NASDAQ, including any additional or new requirements that become effective after the Effective Date. Any such amendment shall be effective at such time as is necessary to comply with Section 10D of the Exchange Act.

Each member of the Board shall be fully indemnified and held harmless by the Company for any liability resulting from administration of this Policy.

The provisions in this Policy are intended to be applied to the fullest extent of the law. To the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to applicable law. The invalidity or unenforceability of any provision of this Policy shall not affect the validity or enforceability of any other provision of this Policy.

The rights of the Company under this Policy to seek forfeiture or reimbursement are not exclusive remedies and do not preclude any other recourse by the Company.

Amendment and Termination . To the extent permitted by, and in a manner consistent with, applicable SEC and NASDAQ rules and regulations, the Board reserves the power to terminate, suspend, revise or amend this Policy.

ACKNOWLEDGMENT, CONSENT AND AGREEMENT

I acknowledge that I have received and reviewed a copy of the Ambac Recoupment Policy (as may be amended from time to time, the “Policy”) and agree to be bound by and subject to its terms and conditions for so long as I am a “Covered Employee” under the Policy. I further acknowledge, understand and agree that, as a Covered Employee, the Policy could affect the compensation I receive or may be entitled to receive from Ambac or its subsidiaries under various agreements, plans and arrangements with Ambac or its subsidiaries.

Signed: _____
Print Name: _____
Date: _____

Ambac Financial Group, Inc.

Executive Stock Ownership and Retention Policy

Purpose. The purpose of the Ambac Financial Group, Inc. Executive Stock Ownership Policy (the “Stock Policy”) is to further align the interests of executives of Ambac Financial Group, Inc. (the “Company”) and the Company’s shareholders by requiring executives to accumulate and retain a meaningful level of stock ownership.

Covered Executives. The Stock Policy applies to the executives of the Company (the “Covered Executives”) in the following Tiers.

Tier 1	Chief Executive Officer
Tier 2	Chief Financial Officer
Tier 3	All Other Executive Officers

Stock Ownership Multiples. The stock ownership levels under the Stock Policy, expressed as a multiple of the Covered Executive’s base annual salary as of March 31 of each year are as follows:

Tier 1	6 times base annual salary
Tier 2	3 times base annual salary
Tier 3	2 times base annual salary

There is no required time period within which the Covered Executive must attain the applicable stock ownership level under the Stock Policy. As set forth below under the caption, “Stock Retention Percentages,” until a Covered Executive complies with the Stock Policy, the Covered Executive is required to retain 100% of net profit shares from each award on exercise, vesting or earn-out.

For purposes of determining compliance with the Stock Policy, as of March 31 of each year the number of shares of the Company’s common stock that the Covered Executive is expected to own will be calculated by dividing:

- The Covered Executive’s base annual salary by
- The average of the month-end closing prices of the Company’s stock for the prior 12 months

If a Covered Executive has satisfied the Stock Policy on a prior determination date, a decrease in the Company’s stock price without a sale of shares (excluding a sale of shares to satisfy tax withholding) will not be considered to result in non-compliance on a subsequent determination date.

Eligible Shares. The following shares of Company common stock count towards compliance with the Stock Policy:

- Shares owned by the Covered Executive;
- Shares owned jointly by the Covered Executive and spouse;
- Shares held in a trust established by the Covered Executive for the benefit of the Covered Executive and/or family members;
- Shares equal to the number of vested but deferred restricted or deferred stock units credited to the Covered Executive under any arrangement maintained by the Company; and

- Shares credited to the Covered Executive's 401(k) plan account

Unvested or unearned restricted stock/restricted stock units/performance shares and stock options do not count towards compliance with the Stock Policy.

Stock Retention Percentages. Until a Covered Executive complies with the Stock Policy, the Covered Executive is required to retain 100% of net profit shares from each award on exercise, vesting or earn-out.

“Net profit shares” means:

- Shares received on vesting or earn-out of restricted stock/restricted stock units/performance shares, net of shares for taxes; and
- Shares received on exercise of stock options, net of shares tendered or withheld for payment of exercise price and shares for taxes

“Shares for taxes” means, regardless of whether share withholding is actually used:

- The amount of taxes on the income realized by the Covered Executive on the vesting, earn-out or exercise date, calculated using maximum marginal tax rates, divided by
- The closing price of the Company's common stock on the vesting, earn-out or exercise date

Nothing in this Stock Policy shall require Covered Executives to meet their applicable stock ownership levels through open market purchases of Company common stock, and a Covered Executive may sell any shares purchased in the open market regardless of whether such Covered Executive then owns or has the right to acquire Eligible Shares sufficient to meet the requirements of the Stock Policy. For the sake of clarity in interpreting the Stock Policy, any sale of Eligible Shares by a Covered Executive shall be deemed to have occurred in the following order: first from shares purchased in the open market; and second, from any remaining “net profit shares”; provided, however that “net profit shares” may not be sold if, following such sale, the Covered Executive would no longer be in compliance with this Stock Policy.

Stock Sales. Any sale of shares by Covered Executives must be reviewed and approved by the Legal Department for compliance with this Stock Policy and the Company's insider trading policy at the time of the proposed sale.

Insider Trading Policy. Covered Executives are required to abide by the Company's Insider Trading policy and are prohibited from (i) hedging their ownership positions in Company shares, (ii) buying Company shares on margin and (iii) pledging owned Company shares as collateral for loans.

Waiver. The Compensation Committee shall determine the appropriate relief in the event of financial hardship.

Modification. The Stock Policy may be amended or terminated at any time by the Compensation Committee, in consultation with the Governance and Nominating Committee, in its sole and absolute discretion.

Enforcement. The Company may consider a Covered Executive's compliance with the Stock Policy in connection with compensation decisions, or promotion opportunities, to the extent it determines appropriate in its sole and absolute discretion.

Effective Date. The Stock Policy is effective as of January 1, 2017.

Description of changes to the non-employee director compensation program for the Board of Directors of Ambac Financial group, Inc. effective as of January 1, 2017

The Board of Directors of Ambac Financial Group, Inc. approved the following changes to the non-employee director compensation program effective as of January 1, 2017: each non-employee director shall receive (i) an annual cash retainer of \$100,000 and (ii) a grant of \$200,000 of stock-based compensation, comprised of restricted stock units of Ambac (rounded up to the nearest whole unit), as permitted under Ambac's 2013 Incentive Compensation Plan. Additionally, a non-employee director acting as Chairman of the Board shall receive an additional fee of \$125,000; the Compensation Committee Chair shall receive an additional fee of \$25,000; the Audit Committee Chair shall receive an additional fee of \$35,000; and the chairs of each of the Governance and Nominating Committee and the Strategy and Risk Policy Committee shall receive an additional fee of \$15,000. Each non-employee director shall also be entitled to receive a fee of \$2,000 (A) for each Board meeting attended, which shall apply after he or she attends eight Board meetings in a calendar year, and (B) for each committee meeting attended as a committee member, which shall apply with respect to each committee after he or she attends eight meetings of such committee in a calendar year. In addition Ambac will continue to reimburse directors for reasonable out-of-pocket expenses in connection with their Board service, including attendance at Board of Directors and committee meetings.