

CLOSED SESSION REPORTING OUT

Date of Meeting: ***Tuesday, June 6, 2017***

Litigation Negotiations

NAME OF ACTION:

Ambac Bond Insurance Cases, JCCP 4555

San Francisco Superior Court Case No. CJC-08-004325

This matter is listed as **Item No. 1(b)** on the Closed Session Agenda:

Council authorized receipt of settlement amount of:

\$754,888.44 (Net amount \$666,711.45, after deduction of costs and fees)

This case arose out of incidents that occurred: **prior to 2008**

FACTS/ISSUES:

In 2008, the City filed this lawsuit against various bond insurers who conspired with each other and with the major credit rating agencies to maintain a dual rating system that unfairly rated pending municipal bond issuances lower than corporate bonds. This conspiracy violated the antitrust laws, forced Oakland, and other municipalities to purchase bond insurance as a credit enhancement in order to issue bonds without having to offer extremely high interest rates. As a result of the conspiracy, the City suffered hundreds of thousands of dollars in damages because it had to pay higher rates for bond insurance.

The complaint also alleges claims for fraud and breach of contract against two of the bond insurers, Syncora Guarantee, Inc. (f/k/a XL Capital Assurance, Inc.) and Ambac, alleging that they failed to disclose their exposure to risky subprime debt and other financial instruments which caused the City's interest payments on its auction rate securities to spike and forced the City to engage in costly refunding of those issuances.

Defendant Ambac Assurance will pay the City \$754,888.44 in exchange for dismissal by the City of Oakland. After the deduction of fees and costs, Oakland's estimated *net* recovery from the Ambac Assurance settlement will be approximately \$666,711.45.

Motion Made by: Councilmember Kaplan
Motion Seconded by: Councilmember Gallo

AYES: Brooks, Campbell-Washington, Gallo, Gibson McElhaney, Guillén, Kalb, Kaplan and President Reid = 7

NOES: Brooks, Campbell-Washington, Gallo, Gibson McElhaney, Guillén, Kalb, Kaplan and President Reid =

ABSENT ~~Brooks, Campbell-Washington, Gallo, Gibson McElhaney, Guillén, Kalb, Kaplan and President Reid = 1~~

ABSTENTIONS: Brooks, Campbell-Washington, Gallo, Gibson McElhaney, Guillén, Kalb, Kaplan and President Reid =