

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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IN RE AMBAC FINANCIAL GROUP,
INC. SECURITIES LITIGATION

Case No. 08-cv-00411-NRB

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**JOINT DECLARATION OF LAUREN A. ORMSBEE AND FREDERIC S. FOX IN
SUPPORT OF LEAD PLAINTIFFS' MOTION FOR (1) FINAL APPROVAL OF
SETTLEMENT OF CLAIM FILED IN THE SIPA LIQUIDATION OF LEHMAN
BROTHERS INC., (2) APPROVAL OF THE PROPOSED ALLOCATION OF THE
PROCEEDS OF THE SETTLEMENT, AND (3) REIMBURSEMENT OF EXPENSES**

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LAUREN A. ORMSBEE and FREDERIC S. FOX declare as follows:

1. Lauren A. Ormsbee is a Senior Counsel of the law firm of Bernstein Litowitz Berger & Grossmann LLP (“BLB&G”). Frederic S. Fox is a partner of the law firm Kaplan Fox & Kilsheimer LLP (“Kaplan Fox”). BLB&G and Kaplan Fox are counsel for Lead Plaintiffs the Public School Teachers’ Pension & Retirement Fund of Chicago, Arkansas Teacher Retirement System, and Public Employees’ Retirement System of Mississippi (“Lead Plaintiffs”) and Plaintiff Painting Industry Insurance and Annuity Funds (collectively with Lead Plaintiffs, “Plaintiffs”) and are the Court-appointed co-lead counsel (“Lead Counsel”) in the above-captioned consolidated securities class action (the “Action”).¹ The statements in this Joint Declaration are based on our personal knowledge of the matters set forth herein or information provided by other attorneys at our respective firms based on our (or their) participation in the prosecution and settlement of the Action and the claim asserted by Lead Plaintiffs on behalf of the Class against the estate of Lehman Brothers Inc. (“Lehman”) in its liquidation proceeding under the Securities Investor Protection Act of 1970 (“SIPA”).

2. We respectfully submit this Joint Declaration in support of Lead Plaintiffs’ motion, pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, for final approval of the proposed settlement of the claim submitted by Lead Plaintiffs on behalf of themselves and the Class in Lehman’s SIPA liquidation proceeding in the United States Bankruptcy Court for the Southern District of New York, *In re Lehman Bros. Inc.*, Case No. 08-01420 (SCC) SIPA (Bankr. S.D.N.Y.) (the “SIPA Proceeding”) on the terms and conditions set forth in the

¹ Unless otherwise defined herein, all capitalized terms have the meanings ascribed to them in the Stipulation Regarding Proofs of Claims of Public School Teachers’ Pension, et al. (Nos. 5626, 5627, 5628 and 5629) dated November 11, 2014 (ECF No. 177-1) (the “Stipulation”) or in the Stipulation of Settlement with the Underwriter Defendants dated May 4, 2011 (ECF No. 123-6) (the “Underwriter Stipulation”).

Stipulation (the “Settlement”). We also respectfully submit this Joint Declaration in support of Lead Plaintiffs’ motion for approval of the proposed method for allocating the proceeds of the Settlement to eligible Class Members and for reimbursement of litigation expenses in the amount of \$79,246.33.²

I. INTRODUCTION AND OVERVIEW

3. In 2011, Lead Plaintiffs achieved two settlements in the Action with all defendants in the Action other than Lehman for a total of \$33 million: (i) a \$27.1 million settlement with Ambac Financial Group Inc. (“Ambac”) and certain of its former officers and directors, and (ii) a \$5.9 million settlement with the underwriters of Ambac’s February 2007 offering of Directly-Issued Subordinated Capital Securities (“DISCS”) other than Lehman (the “Underwriter Settlement”).

4. Lehman was not included in either of the 2011 settlements due to the filing of Lehman’s SIPA liquidation proceeding, which was commenced in September 2008. However, in order to protect the interests of Lead Plaintiffs and the Class, Lead Plaintiffs filed claims in Lehman’s SIPA Proceeding in the United States Bankruptcy Court for the Southern District of New York, on behalf of themselves and the Class. Lead Plaintiffs have now achieved a proposed resolution of those claims. The proposed Settlement, agreed to with James W. Giddens, as trustee for the liquidation of Lehman under SIPA (the “SIPA Trustee”), will result in the allowance of a general, unsecured claim against Lehman’s estate in the SIPA Proceeding in the amount of \$550,000 for the benefit of the Class (the “Allowed Claim”). The amount that will ultimately be recovered from Lehman’s estate with respect to the Allowed Claim is currently

² In conjunction with this Joint Declaration, Lead Plaintiffs are also submitting the Memorandum of Law in Support of Lead Plaintiffs’ Motion for (1) Final Approval of Settlement of Claim Filed in the SIPA Liquidation of Lehman Brothers Inc., (2) Approval of the Proposed Allocation of the Proceeds of the Settlement, and (3) Reimbursement of Expenses.

unknown but is estimated to be approximately 50% of the value of the Allowed Claim, or approximately \$275,000. This estimate is based on the amount of the distributions already made in the SIPA Proceeding (which have been reserved in the case of Lead Plaintiffs' Claim pending the approval requested from this Court) and the estimated amount of all future distributions, which will depend on several factors, including how other disputed unliquidated contingent claims are resolved as well as litigation in which the SIPA Trustee is currently involved. If any Class Members have timely filed their own proofs of claim in Lehman's SIPA Proceeding, the Settlement does not bar, release or otherwise affect such claims.

5. Lead Plaintiffs, Lead Counsel and Lead Plaintiffs' retained bankruptcy counsel, Lowenstein Sandler LLP ("Bankruptcy Counsel" or "Lowenstein"), believe that the Settlement represents a very favorable result for the Class in light of the amount of the Settlement achieved, the substantial costs of litigating a disputed claim in the SIPA Proceeding and the uncertainty as to the amount, if any, that could be recovered. First, the Settlement is favorable because Lehman underwrote only 5% of the February 2007 offering of Ambac DISCS that gave rise to the claims against Lehman in this Action, and thus any recovery obtained through litigation would be limited. Moreover, the merits of the Settlement must be considered in light of the significant costs of securing a recovery on the Claim through litigation and the risks that Lead Plaintiffs and the Class might fail to establish liability or damages or to certify a class in the SIPA Proceeding. As discussed further below, in light of these considerations, Lead Plaintiffs, Lead Counsel and Bankruptcy Counsel believe that the resolution of the Claim as set forth in the proposed Settlement is fair, reasonable and adequate and in the best interests of the Class.

6. The proposed Settlement is the result of extensive efforts by Lead Plaintiffs, Lead Counsel, and Bankruptcy Counsel, which included, *inter alia*: (a) an extensive initial

investigation of potential claims against Ambac and other defendants, including the underwriters of Ambac's securities such as Lehman; (b) the filing of a detailed Consolidated Amended Class Action Complaint asserting claims against Lehman and other defendants; (c) the filing of timely proofs of claim in the SIPA Proceeding to preserve the claims of Plaintiffs and the Class against Lehman's estate; (d) extensive monitoring of Lehman's SIPA Proceeding over the course of several years; (e) responding to requests for information and pleadings filed in the SIPA Proceeding where necessary; (f) arm's-length negotiations of the Settlement with counsel for the SIPA Trustee; and (g) modification of the automatic stay to allow for approval of the Settlement in this Court.

7. For all of the reasons set forth herein and in the accompanying memorandum, Lead Plaintiffs and Lead Counsel respectfully submit that the Settlement is fair, reasonable and adequate and should be approved. In addition, Lead Plaintiffs respectfully submit that the method of allocating the proceeds of the Settlement they have proposed is fair and reasonable and should be approved for use in this Settlement. The proposed allocation method employs the same plan of allocation that was previously used to calculate claims and distribute the proceeds of the Underwriter Settlement to members of the Class and will minimize administrative expenses and burden on Class Members. Lead Plaintiffs also submit that their request for reimbursement of litigation expenses, consisting of \$79,246.33 for the remaining expenses incurred by Lead Plaintiffs related to the necessary retention of Bankruptcy Counsel, is reasonable and should be approved. Lead Counsel are not seeking any award of their own attorneys' fees, or reimbursement of any other litigation expenses incurred in connection with obtaining the Settlement.

II. HISTORY OF THE PROSECUTION OF THE CLAIMS AGAINST LEHMAN

8. Beginning on or about January 16, 2008, several putative class action complaints were filed against Ambac and certain individual defendants in the United States District Court for the Southern District of New York, alleging violations of the federal securities laws. By Order dated May 9, 2008, the Court consolidated the related actions, appointed Lead Plaintiffs as the lead plaintiffs, and appointed BLB&G and Kaplan Fox as Lead Counsel.³

9. Following their appointment as Lead Counsel and in preparation for filing a consolidated complaint in the Action, Lead Counsel engaged in an intensive investigation, which included thoroughly reviewing and analyzing publicly available relevant information regarding Ambac (including, but not limited to, its SEC filings and financial statements, press releases, news articles, and analyst reports), consulting with various experts, and interviewing numerous confidential witnesses. During the investigation, Lead Counsel reviewed the known facts and applicable law and considered claims that could be asserted against additional defendants, including the underwriters of Ambac's securities such as Lehman.

10. Following Lead Counsel's investigation, on August 25, 2008, Lead Plaintiffs filed the Consolidated Amended Class Action Complaint (the "Complaint"). In the Complaint, Lead Plaintiffs asserted, among other claims, claims against Lehman and other underwriters for violations of Sections 11 and 12(a)(2) of the Securities Act of 1933 in connection with Ambac's February 2007 DISCS offering.

³ For a more detailed history of the litigation as a whole and the efforts undertaken by Lead Counsel from the outset of the Action through August 2011, the Court is referred to the Joint Declaration of Steven B. Singer and Frederic S. Fox in Support of Lead Plaintiffs' Motion for Final Approval of Class Action Settlement and Lead Counsel's Application for an Award of Attorneys' Fees and Reimbursement of Expenses (ECF No. 133), which was submitted in connection with the approval of the 2011 settlements and is incorporated herein by reference.

11. On September 19, 2008, the Securities Investor Protection Corporation commenced the liquidation of Lehman. As a result of the commencement of Lehman's liquidation proceeding, all claims asserted against Lehman in the Action were stayed pursuant to Section 362(a) of the Bankruptcy Code. *See* 11 U.S.C. § 362(a).

12. Lead Plaintiffs retained Bankruptcy Counsel experienced in the specialized area of bankruptcy law, Michael S. Etkin of Lowenstein Sandler LLP, in order to protect the interest of class members in Lehman's SIPA Proceeding. Bankruptcy Counsel also represented the interest of class members in Ambac's own bankruptcy proceedings, which began in November 2010.

13. On May 29, 2009, Plaintiffs timely filed four general unsecured claims in Lehman's SIPA Proceeding based on Lehman's alleged violations of federal securities laws as asserted in this Action. One claim (Claim No. 5626) was filed on behalf of Lead Plaintiffs and other investors in Ambac securities, including the Class (the "Claim").⁴ Three other claims (Claim Nos. 5627, 5628, and 5629) were filed individually on behalf of Plaintiffs Arkansas Teacher Retirement System, Painting Industry Insurance and Annuity Funds, and Public Employees' Retirement System of Mississippi, respectively (the "Individual Claims" and, together with the Claim, the "Claims").

14. In 2011, Lead Plaintiffs reached settlements with all of the defendants remaining in the Action other than Lehman: (i) a \$27.1 million settlement with Ambac and certain of its

⁴ Claim No. 5626 was filed "on behalf of [Lead Plaintiffs] and all persons or entities who purchased or otherwise acquired Ambac Financial Group, Inc. securities (1) between October 25, 2006 and April 22, 2008, inclusive or (2) pursuant to the February 2007 offering or March 2008 offerings." The Class certified for purposes of the settlement with the Underwriter Defendants in this Action as well as for this Settlement consists of all persons or entities who purchased or acquired Ambac securities in or traceable to the February 2007 DISCS offering, subject to certain exclusions.

former officers and directors, on behalf of purchasers of all Ambac securities during the period from October 19, 2005 through July 18, 2009, and (ii) a \$5.9 million settlement with the underwriters of the February 2007 DISCS offering other than Lehman, on behalf of the Class. ECF Nos. 123-1, 123-6. These settlements were approved by the Court on September 28, 2011. ECF Nos. 145, 146. Lehman was not included as a settling defendant or released party in either of the 2011 settlements.

15. At the time of the 2011 settlements, it was not clear whether or to what extent Lehman's estate would have funds available to pay claims asserted by unsecured creditors, including the Claim asserted by Lead Plaintiffs on behalf of the Class. Accordingly, Lead Plaintiffs, through Lead Counsel and Bankruptcy Counsel, continued to monitor the progress of the SIPA Proceeding. Bankruptcy Counsel also responded to requests for information from the SIPA Trustee's counsel and responded to pleadings and motions filed in the SIPA Proceeding where necessary.

16. By mid-2013 it became apparent that Lehman's estate might have sufficient funds to make meaningful distributions to holders of unsecured claims. When the availability of such funds crystallized, Lead Plaintiffs, through Bankruptcy Counsel, began negotiations with counsel for the SIPA Trustee to resolve the Claim. Following arm's-length negotiations over the course of several months between counsel for the SIPA Trustee, on one hand, and Lead Counsel and Bankruptcy Counsel, on the other, Plaintiffs and the SIPA Trustee entered into the Stipulation on November 11, 2014 setting forth the terms of the proposed Settlement.

17. On December 23, 2014, Lead Plaintiffs moved for preliminary approval of the Settlement (ECF Nos. 172-174), which the Court denied without prejudice due to the potential

impact of the automatic stay of all judicial proceedings against Lehman under the Bankruptcy Code (ECF No. 175).

18. On January 30, 2015, the Bankruptcy Court entered a Stipulation and Order providing that “the automatic stay pursuant to section 362(a) of the Bankruptcy Code and the LBI Liquidation Order shall be modified solely to the extent necessary to permit Claimants to seek and obtain District Court Approval of the settlement of the Claim as set forth in the . . . Stipulation, including, but not limited to, approval of distribution, notice and hearing procedures.” ECF No. 177-2, at ¶ 2. On March 6, 2015, Lead Plaintiffs filed a renewed motion for preliminary approval of the Settlement. ECF Nos. 176-178.

19. On March 11, 2015, the Court entered the Order Preliminarily Approving Proposed Settlement of Claim Filed in the SIPA Liquidation of Lehman Brothers Inc. (ECF No. 179) (the “Preliminary Approval Order”), which preliminarily approved the proposed Settlement; approved the proposed form and manner of providing notice of the Settlement to Class Members; and scheduled a hearing regarding final approval of the Settlement and related matters for June 9, 2015.

20. The Court also certified for purposes of this Settlement the class that was previously certified for purposes of the settlement with the Underwriter Defendants: “all persons or entities who purchased or acquired Ambac securities in or traceable to the February 2007 Directly-Issued Subordinated Capital Securities offering.” Preliminary Approval Order ¶ 3. Excluded from the Class are: Ambac; Defendants; members of the immediate families of any Defendant; and their legal representatives, heirs, successors or assigns. Also excluded from the Class are any persons or entities who or which were previously excluded by the Court in response to a request for exclusion. *Id.*

III. THE TERMS OF THE SETTLEMENT

21. If the Settlement is approved, on the Effective Date, Plaintiffs, on behalf of themselves and as lead plaintiffs on behalf of the Class in the Action, will have an allowed, general unsecured creditor claim against the Lehman general estate in the SIPA Proceeding in the amount of \$550,000 (the “Allowed Claim”) in respect of Claim No. 5626 and the Allowed Claim shall fully and finally resolve any and all Claims Plaintiffs have asserted against the Lehman estate under or in connection with the matters, transactions, and accounts that are the subject of the Claim.⁵ Plaintiffs, on behalf of themselves and as lead plaintiffs on behalf of the Class, will receive proportionately the same in payments or distributions (including with respect to the timing and type of payments or distributions) in respect of the Allowed Claim as are generally received by holders of allowed, general unsecured claims against the Lehman estate. Promptly after receiving notice of the District Court’s approval of the Settlement, the SIPA Trustee shall cause the Lehman general creditor claims register to be updated to reflect the Allowed Claim.

22. As noted above, the amount that will ultimately be recovered from Lehman’s estate with respect to the Allowed Claim is currently unknown but is estimated to be approximately 50% of the value of the Allowed Claim, or approximately \$275,000. This estimate is based on the amount of the previously authorized distributions in the SIPA Proceeding and the estimated amount of all future distributions, which will depend on several

⁵ As noted above, the Claims filed in the SIPA Proceeding included both the Claim filed on behalf of Lead Plaintiffs and the Class and three Individual Claims filed individually on behalf of three Plaintiffs. The Stipulation provides for the resolution of all four of these Claims. The Individual Claims will be deemed withdrawn and Plaintiffs will be eligible to receive payment under the Allowed Claim on the same basis as all Class Members.

factors, including how other disputed unliquidated contingent claims are resolved as well as litigation in which the SIPA Trustee is currently involved.

23. The Settlement also provides that Plaintiffs, on behalf of themselves, their successors and assigns, and on behalf of any other party, person, or entity claiming by, through or under them (the “Claimants Releasing Parties”), forever waive and release (i) the Claims filed in the SIPA Proceeding and (ii) any and all claims, liabilities, causes of action, demands, and damages (of whatever kind or nature and whether known or unknown or asserted or unasserted) that the Claimants Releasing Parties may prior to the Effective Date have ever had, may at the Effective Date have, or at any time after the Effective Date can, could, shall, or may have against Lehman, its estate, the SIPA Trustee, and the SIPA Trustee’s agents or attorneys, related to or arising out of the matters, transactions, and accounts that are the subject of the Claims.

24. If any Class Members have timely filed their own proofs of claim in Lehman’s SIPA Proceeding, the proposed Settlement will not bar, release or otherwise affect such claims.

IV. THE BENEFITS OF THE SETTLEMENT AND THE RISKS OF CONTINUED LITIGATION

25. Lead Plaintiffs, Lead Counsel and Bankruptcy Counsel believe that the resolution of the Claim through the proposed Settlement is fair, reasonable and adequate and in the best interests of the Class in light of the amount recovered pursuant to the Settlement, the substantial costs of litigating a disputed claim in the SIPA Proceeding and the uncertainty as to the amount, if any, that could be recovered pursuant to the Claim.

26. The Settlement is reasonable in light of the relatively small portion of the DISCS offering underwritten by Lehman. Lehman underwrote only 5% of the February 2007 DISCS offering (\$20 million of the \$400 million in face value of DISCS offered). Under Section 11(e)

of the Securities Act, the damages that could be obtained against Lehman would be capped based on the portion of the offering it underwrote.

27. The Settlement is also reasonable in light of the significant costs of securing a recovery through litigation and the risks that Lead Plaintiffs and the Class might fail to establish liability or damages or to certify a class in the SIPA Proceeding. In the absence of the Settlement, Lead Plaintiffs would be required to seek certification of a class in the Bankruptcy Court, engage in extensive discovery (including potential expert discovery on issues such as Lehman's due diligence obligations and loss causation), and then prove liability and damages in order to obtain any recovery. Because all other claims in this litigation have been resolved, the substantial costs that would be incurred in such litigation would come solely out of any recovery that could be obtained from Lehman, which would be limited by the relatively small portion of the DISCS offering underwritten by Lehman and the funds available in Lehman's estate. Indeed, Lead Counsel estimate that the costs of pursuing the Claim through continued litigation could equal or exceed the amount that could be recovered from Lehman's estate. In contrast, resolving the Claim with the SIPA Trustee now allows the Class to benefit from economies of scale because the administration and distribution of the Settlement can be combined with the prior recoveries obtained in this Action, thus reducing overall administrative costs. *See* ¶ 38 below.

28. Finally, although Lead Plaintiffs believe the Securities Act claims they asserted against Lehman have merit, they were subject to the same risks and uncertainties as the claims asserted against other underwriters in the Action, including, among others, risks of proving that the alleged misstatements in Ambac's registration statements were false and misleading (and were not merely statements of opinion), and risks in rebutting Lehman's anticipated defenses that it exercised due diligence or that the drop in price of Ambac DISCS was due to reasons other

than the alleged misstatements. These litigation risks created a possibility that, in the absence of the Settlement, Lead Plaintiffs and the Class could achieve no recovery at all, or a lesser recovery than the Allowed Claim after years of additional protracted litigation. Finally, any judgment or recovery that was obtained through litigation of the disputed Claim in the SIPA Proceeding would still be considered a general, unsecured claim and would be subject to the same discounting based on the amount of available funds available to satisfy all general unsecured claims against Lehman's estate.

29. Based on these considerations, Lead Plaintiffs, Lead Counsel and Bankruptcy Counsel have concluded that the Settlement is fair, reasonable and adequate to Lead Plaintiffs and the Class.

V. LEAD PLAINTIFFS' COMPLIANCE WITH THE COURT'S PRELIMINARY APPROVAL ORDER REGARDING ISSUANCE OF NOTICE

30. The Court's Preliminary Approval Order approved the form and content of the Notice of Proposed Settlement of Claim Filed in the SIPA Liquidation of Lehman Brothers Inc. (the "Notice") and the Summary Notice of Proposed Settlement of Claim Filed in the SIPA Liquidation of Lehman Brothers Inc. (the "Summary Notice") and the method for disseminating the Notice and Summary Notice to Class Members. The Preliminary Approval Order also set a May 19, 2015 deadline for Class Members to submit any objections to the Settlement or to Lead Plaintiffs' motion for approval of the Settlement, the allocation of funds to be received as a result of the Settlement, and reimbursement of expenses incurred in connection with achieving the Settlement (the "Final Approval Motion"), and set a final approval hearing date of June 9, 2015.

31. Pursuant to the Preliminary Approval Order, on March 25, 2015, Rust Consulting, Inc. ("Rust"), the Court-approved Claims Administrator, mailed the Summary Notice to all Class Members who previously received a distribution from the settlement with the Underwriter

Defendants in this Action and who cashed their distribution check. *See* Declaration of Jason Rabe Regarding Mailing and Publication of Notice (“Rabe Decl.”), attached hereto as Exhibit 1, at ¶ 2. The Summary Notice contains, among other things, a summary description of the proposed Settlement, the proposed method of allocating the proceeds of the Settlement to eligible Class Members, Lead Plaintiffs’ intent to apply for reimbursement of litigation expenses in an amount not to exceed \$85,000, information on how to object to the Settlement or Final Approval Motion, and information on how to obtain the more detailed Notice. *See* Rabe Decl. Ex. A.

32. In addition, on March 25, 2015, in accordance with the Preliminary Approval Order, Rust also caused the Summary Notice to be published over the *PR Newswire* and made both the Notice and Summary Notice available on the case website, www.AmbacSecuritiesLitigation.com. *See* Rabe Decl. ¶¶ 3, 4.

33. Copies of the Notice were are also made available on both of Lead Counsel’s websites, www.blbglaw.com and www.kaplanfox.com, beginning on March 25, 2015.

34. As set forth above, the deadline for Class Members to file objections to any aspect of the Settlement or the Final Approval Motion is May 19, 2015. To date, no objections have been received to the proposed Settlement, the proposed allocation of Settlement proceeds, or the request for reimbursement of litigation expenses. Lead Counsel will file reply papers on June 2, 2015 that will address any objections that may be received or will confirm that no objections have been received.

VI. PROPOSED ALLOCATION OF THE PROCEEDS OF THE SETTLEMENT

35. Lead Plaintiffs propose that, if the Settlement is approved, the funds received as a result of the Allowed Claim in the SIPA Proceeding pursuant to the Settlement (less expenses related to the Settlement, including the expenses incurred due to the necessary retention of Bankruptcy Counsel as approved by the Court, any taxes which may be due on the recovered

amounts, and the reasonable expenses of the Claims Administrator in providing notice of the Settlement and disseminating the Settlement funds) be allocated to Authorized Claimants with respect to their purchases or acquisitions of Ambac DISCS from February 12, 2007 to July 18, 2009 on a *pro rata* basis based on their Recognized Loss Amounts as calculated under the Plan of Allocation that was previously approved by the Court in its September 28, 2011 Order Approving Plan of Allocation (ECF No. 143).

36. Lead Plaintiffs believe that this is a fair and reasonable method of allocating the proceeds of the Settlement because the claims that were asserted in the Action against Lehman relating to purchases or acquisitions of Ambac DISCS in or traceable to the February 2007 offering are the same as the claims that were asserted against the underwriters that resulted in the Underwriter Settlement. Accordingly, the provisions of the original Plan of Allocation providing for the allocation of the net proceeds of the Underwriter Settlement are equally applicable to the allocation of funds obtained in this Settlement.⁶

37. In addition, the proposal minimizes administrative expenses and burden on Class Members because Class Members will not be required to re-submit a claim form or take any other action to be eligible to receive funds obtained as a result of the Settlement. Instead, Rust will use the information obtained from previously submitted Claim Forms to calculate additional payments due to Authorized Claimants as a result of funds received in the Settlement, which can then be distributed to Authorized Claimants together with further distributions of funds obtained in the 2011 settlements. Under this proposal, only Class Members who previously submitted valid claim forms, received a distribution from the Underwriter Settlement, and are eligible for

⁶ The key relevant provisions of the Plan of Allocation are set forth in the Notice of Pendency of Class Action and Proposed Settlements, Final Approval Hearing, and Motion for Attorneys' Fees and Reimbursement of Litigation Expenses at ¶¶ 2, 57, 68 (ECF No. 133 at 49, 57, 60).

future distributions from the settlement funds obtained in the Action will be eligible to share in the funds obtained through the Settlement.⁷

38. If the Settlement is approved, Lead Plaintiffs expect that they will receive payment of the portion of the Allowed Claim that is based on distributions that have already been made in the SIPA Proceeding shortly after the Effective Date of the Settlement, with other distributions made in connection with the Allowed Claim as further distributions to unsecured creditors occur in the SIPA Proceeding. The initial distribution of the net settlement funds obtained in the earlier settlements in this Action occurred in February 2014, and Rust anticipates that it will be able to conduct a second distribution of those settlement funds, based on funds available as a result of uncashed checks or other reasons, in the coming months. Accordingly, proceeds of the Settlement should be able to be distributed to Authorized Claimants together with distributions of funds remaining from the earlier settlements, further reducing administrative costs.

39. A description of the proposed method for allocation of the proceeds of the Settlement was included in both the Summary Notice and Notice disseminated to Class Members. *See* Summary Notice at pp. 1, 2; Notice ¶¶ 4, 5, 16. To date, no objections to the proposed method of allocation have been received. Lead Plaintiffs respectfully suggest that the proposed method for allocating the proceeds of the Settlement should be approved as fair and reasonable.

⁷ The Order Approving Distribution Plan dated November 15, 2013 (ECF No. 171) (the “Distribution Order”) provides that in order to be eligible for future distributions, Authorized Claimants must have cashed their previous distribution check(s) and the amount of their payment in any subsequent distribution must be \$20 or more. *See* Distribution Order ¶¶ 3(f), 3(g)(i).

VII. APPLICATION FOR REIMBURSEMENT OF LITIGATION EXPENSES

40. In addition to seeking final approval of the Settlement, Lead Plaintiffs are applying to the Court for reimbursement of litigation expenses in the amount of \$79,246.33 for the remaining expenses incurred by Lead Plaintiffs in connection with the necessary retention of Lead Plaintiffs' Bankruptcy Counsel, Lowenstein Sandler LLP ("Lowenstein").

41. As discussed above, Lead Plaintiffs retained Lowenstein to assist Lead Counsel in protecting the interests of class members in the bankruptcy court proceedings relating to Lehman, as well as Ambac's own bankruptcy proceedings. All expenses relating to Lowenstein's work in Ambac's bankruptcy proceedings have previously been reimbursed. However, expenses incurred by Lead Plaintiffs relating to Lowenstein's services performed in connection with Lehman's SIPA Proceeding and achieving this Settlement, in the amount of \$79,246.33, are outstanding.

42. Lowenstein has provided substantial assistance to Lead Counsel on behalf of the Class in connection with Lehman's SIPA Proceeding and obtaining this Settlement, including monitoring Lehman's SIPA Proceeding, reviewing documents and pleadings filed in the SIPA Proceeding, including reports of the SIPA Trustee concerning amounts available for distribution to general unsecured creditors, responding to requests for information from the SIPA Trustee's counsel, responding to relevant pleadings and motions filed in the SIPA Proceeding, negotiating the terms of the Settlement with counsel for the SIPA Trustee, assisting in drafting the Stipulation and other papers related to the Settlement, obtaining a modification of the automatic stay by the Bankruptcy Court to permit review and approval of the Settlement by the District Court, and assisting Lead Counsel with preparation of the motion papers in support of preliminary and final approval of the Settlement.

43. In Lead Plaintiffs' October 30, 2013 Motion for Approval of Distribution Plan (ECF No. 165-169), Lead Plaintiffs sought and obtained the Court's approval for additional and final reimbursement of Lowenstein's work that occurred in connection with Ambac's bankruptcy proceeding. *See* ECF No. 169 at ¶¶ 2, 3; Distribution Order (ECF No. 171) at ¶ 4. In the same motion, Lead Plaintiffs requested that reimbursement of a portion of Lowenstein's incurred fees and expenses be deferred until a recovery could be obtained in connection with the Claim asserted by the Class in the SIPA Proceeding. The Court approved that request and ordered that "if there is any recovery received in connection with the resolution of the Class's proof of claim filed in the Lehman Brothers, Inc. SIPC proceeding pending in the Bankruptcy Court in New York, the balance due to Lowenstein Sandler LLP of \$16,524.83 and any additional reasonable fees and expenses incurred by Lowenstein Sandler LLP and approved by Lead Counsel with respect to the prosecution and settlement of that claim in the Bankruptcy Court shall be paid out of that recovery." Distribution Order ¶ 5.

44. Lead Plaintiffs now seek reimbursement of the total amount of remaining expenses incurred due to Lowenstein's services in the amount of \$79,246.33, which includes (i) the \$16,524.83 that was due to Lowenstein as of October 30, 2013 and previously approved by the Court, (ii) \$56,721.50 in additional fees and expenses that have been incurred from that date through March 31, 2015, and (iii) \$6,000.00 in fees anticipated to be incurred from April 1, 2015 through final approval of the Settlement, based the estimated time that Mr. Etkin has or will spend preparing for, traveling to and attending the final approval hearing on behalf of the Class.

45. Lowenstein's efforts were essential to achieving the Settlement with the SIPA Trustee and the amounts incurred for Lowenstein's services are reasonable for counsel specializing in bankruptcy litigation in this District. In addition, the Summary Notice and Notice

informed Class Members that Lead Plaintiffs would be seeking reimbursement of litigation expenses in an amount not to exceed \$85,000. To date, no objection has been raised to the expenses sought, and the amount actually requested, \$79,246.33, is below the maximum amount stated in the Summary Notice and Notice. Accordingly, Lead Plaintiffs respectfully submit that the expenses should be reimbursed in full.

46. Lead Counsel are not seeking any award of their own attorneys' fees, or reimbursement of any other litigation expenses incurred in connection with obtaining the Settlement.

VIII. CONCLUSION

47. For all the reasons set forth above, Lead Plaintiffs respectfully submit that the Settlement, the proposed allocation of the proceeds of the Settlement, and the request for reimbursement of litigation expenses in the amount of \$79,246.33 should be approved.

We declare, under penalty of perjury under the laws of the United States, that the foregoing facts are true and correct.

Date: May 5, 2015
New York, New York

/s/ Lauren A. Ormsbee
Lauren A. Ormsbee

/s/ Frederic S. Fox
Frederic S. Fox

#889939

Exhibit 1

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----X

IN RE AMBAC FINANCIAL GROUP,
INC. SECURITIES LITIGATION

Case No. 08-cv-00411-NRB

-----X

**DECLARATION OF JASON RABE
REGARDING MAILING AND PUBLICATION OF NOTICE**

JASON RABE declares and states as follows:

1. I am a Senior Project Administrator for Rust Consulting, Inc. (“Rust”). Pursuant to the Court’s March 11, 2015 Order Preliminarily Approving Proposed Settlement of Claim Filed in the SIPA Liquidation of Lehman Brothers Inc. (ECF No. 179) (the “Preliminary Approval Order”), the Court approved the continued retention of Rust to supervise and administer the provision of notice of the proposed settlement of the Claim filed in the SIPA liquidation proceeding of Lehman Brothers Inc (the “Settlement”).¹ The following statements are based on my personal knowledge and information provided by other Rust employees working under my supervision, and if called on to do so, I could and would testify competently thereto.

2. Pursuant to the Preliminary Approval Order, on March 25, 2015, Rust mailed the Summary Notice of Proposed Settlement of Claim Filed in the SIPA Liquidation of Lehman Brothers Inc. (the “Summary Notice”) by first-class mail to all Class Members who previously received a distribution from the settlement with the Underwriter Defendants in this Action and who cashed their distribution check. A copy of the Summary Notice is attached hereto as Exhibit A. 341 copies of the Summary Notice were mailed to Class Members who met these criteria. Five

¹ All terms with initial capitalization not otherwise defined herein have the meanings ascribed to them in the Stipulation Regarding Proofs of Claims of Public School Teachers’ Pension, et al. (Nos. 5626, 5627, 5628 and 5629) (ECF No. 177-1) or in the Stipulation of Settlement with the Underwriter Defendants dated May 4, 2011 (ECF No. 123-6).

of these copies were returned to Rust as undeliverable. Rust was able to obtain updated addresses for each of these Class Members and remailed these Summary Notices to the updated addresses.

3. Pursuant to the Preliminary Approval Order, Rust also caused the Summary Notice to be published over the *PR Newswire* on March 25, 2015. Attached hereto as Exhibit B is a copy of the Summary Notice as it was published over the *PR Newswire*.

4. Rust continues to maintain a website concerning all of the settlements obtained in the Action, www.AmbacSecuritiesLitigation.com. On March 25, 2015, Rust caused the Notice of Proposed Settlement of Claim Filed in the SIPA Liquidation of Lehman Brothers Inc. (the “Notice”) to be published on this website. A copy of the Notice is attached hereto as Exhibit C. Rust also caused copies of the Summary Notice and the Stipulation to be published on the website. Users of the website can access and download copies of the Notice, the Summary Notice and the Stipulation and read summary information about the proposed Settlement, as well as obtain information about the previously achieved settlements and the initial distribution of settlement funds in the Action.

5. Rust continues to maintain a toll-free telephone helpline (1-877-497-5866) to accommodate class members who have questions about the Action, the proposed Settlement or any of the past settlements. The telephone helpline is accessible 24 hours a day, 7 days a week, with live operators available Monday through Friday from 9:00 a.m. to 5:30 p.m., Eastern time.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed on May 4, 2015 in Minneapolis, Minnesota.



Jason Rabe

#892538

EXHIBIT A

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

Case No. 08-cv-00411-NRB

IN RE AMBAC FINANCIAL GROUP,
INC. SECURITIES LITIGATION

**SUMMARY NOTICE OF PROPOSED SETTLEMENT OF CLAIM
FILED IN THE SIPA LIQUIDATION OF LEHMAN BROTHERS INC.**

TO: All persons or entities who purchased or acquired securities of Ambac Financial Group, Inc. (“Ambac”) in or traceable to the February 2007 Directly-Issued Subordinated Capital Securities offering (the “Class”).¹

PLEASE READ THIS NOTICE CAREFULLY, YOUR RIGHTS WILL BE AFFECTED BY A PROPOSED SETTLEMENT.

YOU ARE HEREBY NOTIFIED, pursuant to Rule 23(e) of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Southern District of New York, that Lead Plaintiffs in the above-captioned action (the “Action”) have reached a proposed settlement with the trustee for the liquidation of Lehman Brothers Inc. (“Lehman”) under the Securities Investors Protection Act of 1970 (“SIPA”) that provides for the resolution of the Claim filed by Lead Plaintiffs on behalf of themselves and the Class in Lehman’s SIPA liquidation proceeding in the United States Bankruptcy Court (the “Settlement”).

If the Settlement is approved by the Court, it will result in the allowance of a general, unsecured creditor claim against Lehman’s estate in the SIPA liquidation proceeding in the amount of \$550,000 for the benefit of the Class (the “Allowed Claim”). The amount that will ultimately be recovered from Lehman’s estate with respect to the Allowed Claim is currently unknown but is estimated to be approximately 50% of the value of the Allowed Claim, or approximately \$275,000. This estimate is based on receipt of all future distributions in the SIPA Proceeding and the estimated amount of such distributions, which will depend on several factors, including how other disputed unliquidated contingent claims are resolved as well as litigation in which the SIPA Trustee is currently involved.

The amount recovered with respect to the Allowed Claim, less expenses related to the Settlement, will be allocated among eligible Authorized Claimants based on their purchases or acquisitions of Ambac DISCS from February 12, 2007 to July 18, 2009. Only Class Members who previously submitted valid claim forms, and who are eligible for future distributions from the settlement funds obtained in the Action will be eligible to share in the funds obtained through the Settlement.

You do not need to submit a claim form or take any other action to be eligible to receive funds obtained through the proposed Settlement. If the Settlement is approved, funds received in connection with the Allowed Claim will be distributed to eligible Authorized Claimants together with future distributions of the net settlement funds from the previously achieved settlements.

Lead Plaintiffs previously achieved two settlements in this Action in 2011 for a total of \$33 million: (i) a \$27.1 million settlement with Ambac and certain of its former officers and directors, on behalf of purchasers of all Ambac securities during the period from October 19, 2005 through July 18, 2009, and (ii) a \$5.9 million settlement with certain underwriters of Ambac’s February 2007 DISCS offering, on behalf of the Class (the “Underwriter Settlement”). An initial distribution of the net settlement funds obtained in these settlements occurred in February 2014.

Lehman served as an underwriter of Ambac’s February 2007 DISCS offering. In the Complaint filed in this Action, Lead Plaintiffs asserted claims against Lehman for violations of Sections 11 and 12(a)(2) of the Securities Act of 1933 in connection with the February 2007 DISCS offering. However, all claims asserted against Lehman were stayed pursuant to the Bankruptcy Code as a result of the filing of Lehman’s liquidation proceeding pursuant to SIPA. Lehman was not included as a settling defendant in the 2011 settlements. Lead Plaintiffs timely filed general creditor claims on behalf of themselves and the Class in Lehman’s SIPA Proceeding based on Lehman’s alleged violations of federal securities laws as asserted in this Action.

¹ Ambac Directly-Issued Subordinated Capital Securities (“DISCS”) (CUSIP No. 023139AF5) were the only securities issued in this offering.

Following arm's-length negotiations, Lead Plaintiffs and the SIPA Trustee have agreed that the Claim that Lead Plaintiffs filed on behalf of themselves and the Class in the SIPA Proceeding shall have an allowed value of \$550,000. As part of the agreement, Lead Plaintiffs and Plaintiff Painting Industry Insurance and Annuity Funds (collectively, "Plaintiffs") have agreed to withdraw three individual claims filed by Plaintiffs in the SIPA Proceeding. The Allowed Claim will receive proportionally the same payments or distributions as are generally received by holders of other allowed general, unsecured claims against the Lehman estate in the SIPA Proceeding.

In exchange for the Allowed Claim, Plaintiffs, on behalf of themselves, their successors and assigns, and on behalf of any other party, person, or entity claiming by, through or under them, will forever waive and release (i) the claims filed by Plaintiffs in the SIPA Proceeding (the "Claims") and (ii) any and all claims, liabilities, causes of action, demands, and damages (of whatever kind or nature and whether known or unknown or asserted or unasserted) that they have, may have ever had, or can, could, shall, or may have against Lehman, its estate, the SIPA Trustee, and the SIPA Trustee's agents or attorneys, related to or arising out of the matters, transactions, and accounts that are the subject of the Claims. If any Class Members have timely filed their own individual proofs of claim in Lehman's SIPA Proceeding, the proposed Settlement will not bar, release or otherwise affect such claims.

Lead Plaintiffs believe, in light of the hurdles to recovering on a disputed claim in the SIPA Proceeding, the costs of achieving a recovery on such a claim through litigation and the uncertainty of the amount, if any, that could be recovered even if they prevailed, that the proposed Settlement is in the best interests of the Class.

A Settlement Hearing will be held on June 9, 2015 at 10:30 a.m before the Honorable Naomi Reice Buchwald in the United States District Court for the Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, Courtroom 21A, New York, NY 10007. At the Settlement Hearing, the Court will consider whether the proposed Settlement is fair, reasonable, and adequate and should be approved, and whether Lead Plaintiffs' motion for approval of the Settlement, allocation of funds to be received as a result of the Settlement, and reimbursement of expenses incurred in connection with achieving the Settlement in an amount not to exceed \$85,000 (the "Final Approval Motion") should be approved.

If you are a member of the Class, your rights will be affected by the Settlement. PLEASE NOTE, only Class Members who (1) previously submitted valid Claim Forms; (2) received a distribution from the Underwriter Settlement; (3) cashed their distribution check(s); and (4) would be entitled to a minimum payment of \$20 in the next distribution, will be eligible to participate in the distribution of funds resulting from the proposed Settlement.

Please review the full Notice of Proposed Settlement of Claim Filed in the SIPA Liquidation of Lehman Brothers Inc. (the "Notice"), which provides more details about the proposed Settlement, the full definition of the Class, and the definitions of capitalized terms used in this Summary Notice. The Notice is available for downloading at www.AmbacSecuritiesLitigation.com and from Lead Counsel's websites, www.blbglaw.com and www.kaplanfox.com. Copies of the Notice can also be requested by writing to *In re Ambac Financial Group, Inc. Securities Litigation*, c/o Rust Consulting, Inc., P.O. Box 2457, Faribault, MN 55021, by toll-free telephone at (877) 497-5866, or by emailing a request to info@ambacsecuritieslitigation.com, at any time prior to the Settlement Hearing.

Any objections to the proposed Settlement or to the Final Approval Motion, must be filed with the Court and delivered to Lead Counsel and counsel for the SIPA Trustee such that they are *received* no later than May 19, 2015, in accordance with the instructions set forth in the Notice.

PLEASE DO NOT CONTACT THE COURT OR THE CLERK'S OFFICE REGARDING THIS NOTICE. Inquiries, other than requests for the Notice, may be made to Lead Counsel:

Lauren A. Ormsbee, Esq.
BERNSTEIN LITOWITZ BERGER & GROSSMANN LLP
1285 Avenue of the Americas, 38th Floor
New York, NY 10019
(800) 380-8496
www.blbglaw.com

Frederic S. Fox, Esq.
KAPLAN FOX & KILSHEIMER LLP
850 Third Avenue, 14th Floor
New York, NY 10022
(212) 687-1980
www.kaplanfox.com

By Order of the Court

EXHIBIT B



Summary Notice of Proposed Settlement of Claim Filed In The Sipa Liquidation of Lehman Brothers Inc.

NEW YORK, March 25, 2015 /PRNewswire-USNewswire/ -- The following is being issued by Bernstein Litowitz Berger & Grossmann LLP and Kaplan Fox & Kilsheimer LLP about the lawsuit *IN RE AMBAC FINANCIAL GROUP, INC. SECURITIES LITIGATION*, No. 08-cv-00411-NRB (S.D.N.Y.)

TO: All persons or entities who purchased or acquired securities of Ambac Financial Group, Inc. ("Ambac") in or traceable to the February 2007 Directly-Issued Subordinated Capital Securities offering (the "Class").**[1]**

PLEASE READ THIS NOTICE CAREFULLY, YOUR RIGHTS WILL BE AFFECTED BY A PROPOSED SETTLEMENT.

YOU ARE HEREBY NOTIFIED, pursuant to Rule 23(e) of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Southern District of New York, that Lead Plaintiffs in the above-captioned action (the "Action") have reached a proposed settlement with the trustee for the liquidation of Lehman Brothers Inc. ("Lehman") under the Securities Investors Protection Act of 1970 ("SIPA") that provides for the resolution of the Claim filed by Lead Plaintiffs on behalf of themselves and the Class in Lehman's SIPA liquidation proceeding in the United States Bankruptcy Court (the "Settlement").

If the Settlement is approved by the Court, it will result in the allowance of a general, unsecured creditor claim against Lehman's estate in the SIPA liquidation proceeding in the amount of \$550,000 for the benefit of the Class (the "Allowed Claim"). The amount that will ultimately be recovered from Lehman's estate with respect to the Allowed Claim is currently unknown but is estimated to be approximately 50% of the value of the Allowed Claim, or approximately \$275,000. This estimate is based on receipt of all future distributions in the SIPA Proceeding and the estimated amount of such distributions, which will depend on several factors, including how other disputed unliquidated contingent claims are resolved as well as litigation in which the SIPA Trustee is currently involved.

The amount recovered with respect to the Allowed Claim, less expenses related to the Settlement, will be allocated among eligible Authorized Claimants based on their purchases or

acquisitions of Ambac DISCS from February 12, 2007 to July 18, 2009. Only Class Members who previously submitted valid claim forms, and who are eligible for future distributions from the settlement funds obtained in the Action will be eligible to share in the funds obtained through the Settlement.

You do not need to submit a claim form or take any other action to be eligible to receive funds obtained through the proposed Settlement. If the Settlement is approved, funds received in connection with the Allowed Claim will be distributed to eligible Authorized Claimants together with future distributions of the net settlement funds from the previously achieved settlements.

Lead Plaintiffs previously achieved two settlements in this Action in 2011 for a total of \$33 million: (i) a \$27.1 million settlement with Ambac and certain of its former officers and directors, on behalf of purchasers of all Ambac securities during the period from October 19, 2005 through July 18, 2009, and (ii) a \$5.9 million settlement with certain underwriters of Ambac's February 2007 DISCS offering, on behalf of the Class (the "Underwriter Settlement"). An initial distribution of the net settlement funds obtained in these settlements occurred in February 2014.

Lehman served as an underwriter of Ambac's February 2007 DISCS offering. In the Complaint filed in this Action, Lead Plaintiffs asserted claims against Lehman for violations of Sections 11 and 12(a)(2) of the Securities Act of 1933 in connection with the February 2007 DISCS offering. However, all claims asserted against Lehman were stayed pursuant to the Bankruptcy Code as a result of the filing of Lehman's liquidation proceeding pursuant to SIPA. Lehman was not included as a settling defendant in the 2011 settlements. Lead Plaintiffs timely filed general creditor claims on behalf of themselves and the Class in Lehman's SIPA Proceeding based on Lehman's alleged violations of federal securities laws as asserted in this Action.

Following arm's-length negotiations, Lead Plaintiffs and the SIPA Trustee have agreed that the Claim that Lead Plaintiffs filed on behalf of themselves and the Class in the SIPA Proceeding shall have an allowed value of \$550,000. As part of the agreement, Lead Plaintiffs and Plaintiff Painting Industry Insurance and Annuity Funds (collectively, "Plaintiffs") have agreed to withdraw three individual claims filed by Plaintiffs in the SIPA Proceeding. The Allowed Claim will receive proportionally the same payments or distributions as are generally received by holders of other allowed general, unsecured claims against the Lehman estate in the SIPA Proceeding.

In exchange for the Allowed Claim, Plaintiffs, on behalf of themselves, their successors and assigns, and on behalf of any other party, person, or entity claiming by, through or under them, will forever waive and release (i) the claims filed by Plaintiffs in the SIPA Proceeding (the "Claims") and (ii) any and all claims, liabilities, causes of action, demands, and damages (of whatever kind or nature and whether known or unknown or asserted or unasserted) that they have, may have ever had, or can, could, shall, or may have against Lehman, its estate,

the SIPA Trustee, and the SIPA Trustee's agents or attorneys, related to or arising out of the matters, transactions, and accounts that are the subject of the Claims. If any Class Members have timely filed their own individual proofs of claim in Lehman's SIPA Proceeding, the proposed Settlement will not bar, release or otherwise affect such claims.

Lead Plaintiffs believe, in light of the hurdles to recovering on a disputed claim in the SIPA Proceeding, the costs of achieving a recovery on such a claim through litigation and the uncertainty of the amount, if any, that could be recovered even if they prevailed, that the proposed Settlement is in the best interests of the Class.

A Settlement Hearing will be held on June 9, 2015 at 10:30 a.m before the Honorable Naomi Reice Buchwald in the United States District Court for the Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, Courtroom 21A, New York, NY 10007. At the Settlement Hearing, the Court will consider whether the proposed Settlement is fair, reasonable, and adequate and should be approved, and whether Lead Plaintiffs' motion for approval of the Settlement, allocation of funds to be received as a result of the Settlement, and reimbursement of expenses incurred in connection with achieving the Settlement in an amount not to exceed \$85,000 (the "Final Approval Motion") should be approved.

If you are a member of the Class, your rights will be affected by the Settlement. PLEASE NOTE, only Class Members who (1) previously submitted valid Claim Forms; (2) received a distribution from the Underwriter Settlement; (3) cashed their distribution check(s); and (4) would be entitled to a minimum payment of \$20 in the next distribution, will be eligible to participate in the distribution of funds resulting from the proposed Settlement.

Please review the full Notice of Proposed Settlement of Claim Filed in the SIPA Liquidation of Lehman Brothers Inc. (the "Notice"), which provides more details about the proposed Settlement, the full definition of the Class, and the definitions of capitalized terms used in this Summary Notice. The Notice is available for downloading at www.AmbacSecuritiesLitigation.com and from Lead Counsel's websites, www.blbglaw.com and www.kaplanfox.com. Copies of the Notice can also be requested by writing to *In re Ambac Financial Group, Inc. Securities Litigation*, c/o Rust Consulting, Inc., P.O. Box 2457, Faribault, MN 55021, by toll-free telephone at (877) 497-5866, or by emailing a request to info@ambacsecuritieslitigation.com, at any time prior to the Settlement Hearing.

Any objections to the proposed Settlement or to the Final Approval Motion, must be filed with the Court and delivered to Lead Counsel and counsel for the SIPA Trustee such that they are *received* no later than May 19, 2015, in accordance with the instructions set forth in the Notice.

PLEASE DO NOT CONTACT THE COURT OR THE CLERK'S OFFICE REGARDING THIS NOTICE. Inquiries, other than requests for the Notice, may be made to Lead Counsel:

Lauren A. Ormsbee, Esq.

BERNSTEIN LITOWITZ BERGER & GROSSMANN LLP
1285 Avenue of the Americas, 38th Floor
New York, NY 10019
(800) 380-8496
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Frederic S. Fox, Esq.
KAPLAN FOX & KILSHEIMER LLP
850 Third Avenue, 14th Floor
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(212) 687-1980
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By Order of the Court

Media Contact:

Lauren A. Ormsbee, Esq., BERNSTEIN LITOWITZ BERGER & GROSSMANN LLP, (800) 380-8496, Frederic S. Fox, Esq., KAPLAN FOX & KILSHEIMER LLP, (212) 687-1980

[1] Ambac Directly-Issued Subordinated Capital Securities ("DISCS") (CUSIP No. 023139AF5) were the only securities issued in this offering.

SOURCE Bernstein Litowitz Berger & Grossmann LLP; Kaplan Fox & Kilsheimer LLP

Find this article at:

http://www.prnewswire.com/news-releases/summary-notice-of-proposed-settlement-of-claim-filed-in-the-sipa-liquidation-of-lehman-brothers-inc-300054739.html?tc=eml_cleartime

Check the box to include the list of links referenced in the article.

EXHIBIT C

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

Case No. 08-cv-00411-NRB

IN RE AMBAC FINANCIAL GROUP,
INC. SECURITIES LITIGATION

**NOTICE OF PROPOSED SETTLEMENT OF CLAIM FILED
IN THE SIPA LIQUIDATION OF LEHMAN BROTHERS INC.**

TO: All persons or entities who purchased or acquired securities of Ambac Financial Group, Inc. (“Ambac”) in or traceable to the February 2007 Directly-Issued Subordinated Capital Securities offering (the “Class”).

PLEASE READ THIS NOTICE CAREFULLY; YOUR RIGHTS WILL BE AFFECTED BY THE PROPOSED SETTLEMENT.

INTRODUCTION AND SUMMARY

1. Lead Plaintiffs, the Public School Teachers’ Pension & Retirement Fund of Chicago, Arkansas Teacher Retirement System, and Public Employees’ Retirement System of Mississippi, previously achieved two settlements with defendants in this securities class action litigation (the “Action”) totaling \$33 million: (i) a \$27.1 million settlement with Ambac and certain of its former officers and directors, on behalf of purchasers of all Ambac securities during the period from October 19, 2005 through July 18, 2009, and (ii) a \$5.9 million settlement with certain underwriters of Ambac’s February 2007 offering of Directly-Issued Subordinated Capital Securities (“DISCS”), on behalf of the Class (the “Underwriter Settlement”).¹
2. This Notice is to apprise Class Members of an additional proposed settlement reached with James W. Giddens (the “SIPA Trustee”), as trustee for the liquidation of Lehman Brothers Inc. (“Lehman”) under the Securities Investors Protection Act of 1970 (“SIPA”) that provides for the resolution of the Claim filed by Lead Plaintiffs on behalf of themselves and the Class in Lehman’s SIPA liquidation proceeding in the United States Bankruptcy Court (the “Settlement”). Lehman had served as an underwriter of Ambac’s February 2007 DISCS offering and Lead Plaintiffs asserted claims against Lehman for violations of federal securities laws in the Action, but those claims were stayed pursuant to the Bankruptcy Code as a result of the filing of Lehman’s liquidation proceeding pursuant to SIPA.
3. **The Proposed Settlement:** The proposed Settlement, if approved by the Court, will result in the allowance of a general, unsecured creditor claim against Lehman’s estate in its SIPA liquidation proceeding in United States Bankruptcy Court in the amount of \$550,000 for the benefit of the Class (the “Allowed Claim”). The amount that will ultimately be recovered from Lehman’s estate with respect to the Allowed Claim is currently unknown but is estimated to be approximately 50% of the value of the Allowed Claim, or approximately \$275,000. This estimate is based on receipt of all future distributions in the SIPA Proceeding and the estimated amount of such distributions, which will depend on several factors, including how other disputed unliquidated contingent claims are resolved as well as litigation in which the SIPA Trustee is currently involved.
4. The amount recovered with respect to the Allowed Claim, less expenses related to the Settlement,² will be allocated among eligible Authorized Claimants based on their purchases of Ambac DISCS from February 12, 2007 to July 18, 2009. Only Class Members who previously submitted valid claim forms and who are eligible for future distributions from the settlement funds obtained in the Action will be eligible to share in the funds obtained through the Settlement.
5. **You do not need to submit a claim form or take any other action to be eligible to participate in the proposed Settlement.** If the Settlement is approved, the funds obtained as a result of the Allowed Claim will be distributed to eligible Authorized Claimants together with future distributions of the net settlement funds from the previous achieved settlements. Class

¹ All capitalized terms used in this Notice that are not otherwise defined herein have the meanings provided in the Stipulation Regarding Proofs of Claims of Public School Teachers’ Pension, et al. (Nos. 5626, 5627, 5628 and 5629) (the “Stipulation”) or in the Stipulation of Settlement with the Underwriter Defendants dated May 4, 2011, both of which are available at www.AmbacSecuritiesLitigation.com.

² Such expenses include any Court-approved fees and expenses of Lead Plaintiffs’ Bankruptcy Counsel, Lowenstein Sandler LLP, any taxes which may be due on the recovered amounts, and the reasonable expenses of the Claims Administrator in providing notice of the Settlement and disseminating the Settlement funds.

Members who (1) previously submitted valid Claim Forms; (2) received a distribution from the Underwriter Settlement; (3) cashed their distribution check(s); and (4) would be entitled to a minimum payment of \$20 in the next distribution will be eligible to participate in the distribution of funds resulting from the proposed Settlement, if it is approved.

6. **Litigation Expenses Sought:** Lead Counsel Bernstein Litowitz Berger & Grossmann LLP and Kaplan Fox & Kilsheimer LLP are not seeking any attorneys' fees in connection with the Settlement.³ As part of their motion for final approval of the Settlement, the only litigation expenses incurred in connection with achieving the Settlement that will be applied for are the fees and expenses of bankruptcy counsel retained by Lead Plaintiffs, Lowenstein Sandler LLP ("Bankruptcy Counsel"), in an amount not to exceed \$85,000. Any expenses awarded by the Court will be paid from the funds received as a result of the Allowed Claim in the SIPA Proceeding pursuant to the Settlement. Class Members are not personally liable for any such expenses.
7. **Settlement Hearing:** The Court has scheduled a Settlement Hearing to consider the fairness of the proposed Settlement and Lead Plaintiffs' motion for final approval of the Settlement, allocation of funds received as a result of the Settlement, and reimbursement of expenses incurred in connection with achieving the Settlement (the "Final Approval Motion"). The Settlement Hearing will be held on June 9, 2015 at 10:30 a.m. at the Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, Courtroom 21A, New York, NY.
8. As discussed below in paragraphs 27-30, if you wish to object to the Settlement and/or the Final Approval Motion, you must submit an objection in accordance with the instructions set forth below, so that it is received no later than May 19, 2015.

BACKGROUND

9. In the Consolidated Amended Class Action Complaint filed in the Action on August 25, 2008, Lead Plaintiffs asserted claims against Lehman for violations of Sections 11 and 12(a)(2) of the Securities Act of 1933 in connection with the February 2007 DISCS offering.
10. All claims asserted against Lehman in the Action were stayed pursuant to Section 362(a) of the Bankruptcy Code as a result of the filing of Lehman's liquidation proceeding, which commenced in September 2008.
11. On May 29, 2009, Lead Plaintiffs and Plaintiff Painting Industry Insurance and Annuity Funds (collectively, "Plaintiffs") timely filed four general creditor claims in Lehman's SIPA Proceeding based on Lehman's alleged violations of federal securities laws as asserted in this Action. One claim (Claim No. 5626) was filed on behalf of Lead Plaintiffs and other purchasers of Ambac securities, including the Class (the "Claim"), and three other claims (Claim Nos. 5627, 5628, and 5629) were filed individually on behalf of Plaintiffs Arkansas Teacher Retirement System, Painting Industry Insurance and Annuity Funds, and Public Employees' Retirement System of Mississippi, respectively (the "Individual Claims" and, together with the Claim, the "Claims").
12. In 2011, Lead Plaintiffs reached settlements with all defendants remaining in the Action other than Lehman: (i) a \$27.1 million settlement with Ambac and certain of its former officers and directors, and (ii) a \$5.9 million settlement with the underwriters of the February 2007 DISCS offering other than Lehman. Lehman was not included as a settling defendant or released party in either of the 2011 settlements. An initial distribution of the net settlement funds obtained in these settlements occurred in February 2014.
13. Following arm's-length negotiations, Plaintiffs and the SIPA Trustee have agreed to a proposed Settlement that provides for the resolution of the claims that Plaintiffs filed in the SIPA Proceeding on the terms and conditions set forth in the Stipulation Regarding Proofs of Claims of Public School Teachers' Pension, et al. (Nos. 5626, 5627, 5628 and 5629) dated November 11, 2014 (the "Stipulation"), subject to the approval of the Court.⁴ On January 30, 2015, the United States Bankruptcy Court modified the automatic stay pertaining to Lehman to the extent necessary to permit review and approval of the Settlement by the District Court.

WHAT DOES THE PROPOSED SETTLEMENT PROVIDE?

14. If the Settlement is approved, on the Effective Date,⁵ Plaintiffs, on behalf of themselves and as lead plaintiffs on behalf of the Class in the Action, will have an allowed, general unsecured creditor claim against the Lehman general

³ Lead Counsel may be contacted by mail at the addresses set forth in paragraph 27. In addition, Bernstein Litowitz Berger & Grossmann LLP may be contacted by telephone at (800) 380-8496 and by email at blbg@blbgllaw.com. Kaplan Fox & Kilsheimer LLP may be contacted by telephone at (212) 687-1980.

⁴ As noted above, the Claims filed in the SIPA Proceeding included both the Claim filed on behalf of Lead Plaintiffs and the Class and three Individual Claims filed individually on behalf of three Plaintiffs. The Stipulation provides for the resolution of all of these Claims. The Individual Claims will be deemed withdrawn. Under the proposed Settlement, Plaintiffs will receive payment under the Allowed Claim on the same basis as all Class Members.

⁵ "Effective Date" means the date on which the District Court enters an order approving the Settlement on the terms and conditions set forth in the Stipulation and that order has become Final (as that term is defined in the Stipulation).

estate in the SIPA Proceeding in the amount of \$550,000 (the "Allowed Claim") in respect of Claim No. 5626 and the Allowed Claim shall fully and finally resolve any and all Claims Plaintiffs have asserted against the Lehman estate under or in connection with the matters, transactions, and accounts that are the subject of the Claim. Plaintiffs, on behalf of themselves and as lead plaintiffs on behalf of the Class, will receive proportionately the same in payments or distributions (including with respect to the timing and type of payments or distributions) in respect of the Allowed Claim as is generally received by holders of allowed, general unsecured claims against the Lehman estate. Promptly after receiving notice of the District Court's approval of the Settlement, the SIPA Trustee shall cause the Lehman general creditor claims register to be updated to reflect the Allowed Claim.

15. The amount that will ultimately be recovered from Lehman's estate with respect to the Allowed Claim is currently unknown but is estimated to be approximately 50% of the value of the Allowed Claim, or approximately \$275,000. This estimate is based on receipt of all future distributions in the SIPA Proceeding and the estimated amount of such distributions, which will depend on several factors, including how other disputed unliquidated contingent claims are resolved as well as litigation in which the SIPA Trustee is currently involved.
16. The amount recovered with respect to the Allowed Claim, less expenses related to the Settlement, will be allocated to compensate Authorized Claimants in this Action with respect to their purchases of Ambac DISCS from February 12, 2007 to July 18, 2009 based on their Recognized Loss Amounts as previously calculated under the Court-approved Plan of Allocation. Only Class Members who previously submitted valid Claim Forms in the Action, received a distribution from the Underwriter Settlement, and who are eligible for future distributions from the settlement funds obtained in the Action will be eligible to share in the funds obtained through the Settlement.
17. Except for the obligations under the Stipulation, on the Effective Date, Plaintiffs, on behalf of themselves, their successors and assigns, and on behalf of any other party, person, or entity claiming by, through or under them (the "Claimants Releasing Parties"), forever waive and release (i) Claim Nos. 5626, 5627, 5628 and 5629 filed in the SIPA Proceeding (the "Claims") and (ii) any and all claims, liabilities, causes of action, demands, and damages (of whatever kind or nature and whether known or unknown or asserted or unasserted) that the Claimants Releasing Parties may prior to the Effective Date have ever had, may at the Effective Date have, or at any time after the Effective Date can, could, shall, or may have against Lehman, its estate, the SIPA Trustee, and the SIPA Trustee's agents or attorneys, related to or arising out of the matters, transactions, and accounts that are the subject of the Claims.
18. If any Class Members have timely filed their own proofs of claim in Lehman's SIPA Proceeding, the proposed Settlement will not bar, release or otherwise affect such claims.

WHAT ARE THE REASONS FOR THE SETTLEMENT?

19. Lead Plaintiffs and Lead Counsel believe that the proposed Settlement is fair, reasonable and adequate and in the best interests of the Class in light of the substantial costs of litigating a disputed claim in the SIPA Proceeding and the uncertainty as to the amount, if any, that could be recovered pursuant to the Claim. In the absence of the Settlement, Lead Plaintiffs would be required to seek certification of the Class in the Bankruptcy Court, engage in extensive discovery concerning the Claim, and prove the merits and damages of the Claim in order to obtain any recovery. The costs of pursuing the Claim through continued litigation could equal or exceed the amount that could be recovered from Lehman's estate, in light of the fact that Lehman only underwrote 5% of the February 2007 DISCS offering.
20. Based on their consideration of these factors, Lead Plaintiffs and Lead Counsel, along with Bankruptcy Counsel, have concluded that the Settlement, providing for an Allowed Claim in the amount of \$550,000, is fair, reasonable and adequate to Lead Plaintiffs and the Class, and in their best interests.

WHO IS A MEMBER OF THE CLASS?

21. The Class, which was previously certified for the Underwriter Settlement, consists of all persons or entities who purchased or acquired Ambac securities in or traceable to the February 2007 Directly-Issued Subordinated Capital Securities offering. Excluded from the Class are Ambac; Defendants; members of the immediate families of any Defendant; and their legal representatives, heirs, successors or assigns. Also excluded from the Class are any persons or entities who or which were previously excluded by the Court in response to a request for exclusion.

WHAT PAYMENT ARE ATTORNEYS FOR THE CLASS SEEKING?

22. Lead Counsel will not seek any attorneys' fees in connection with this Settlement. As part of their Final Approval Motion, Lead Plaintiffs will apply to the Court for reimbursement of litigation expenses consisting only of fees and expenses of

Bankruptcy Counsel incurred in connection with achieving the Settlement in an amount not to exceed \$85,000. The Court will determine the amount to be awarded, which will be paid from the funds obtained as a result of the Allowed Claim in the SIPA Proceeding pursuant to the Settlement. Class Members are not individually responsible for any of these expenses.

WHEN AND WHERE WILL THE COURT DECIDE WHETHER TO APPROVE THE SETTLEMENT?

- 23. A hearing will be held on June 9, 2015, at 10:30 a.m., before the Honorable Naomi Reice Buchwald in the United States District Court for the Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, Courtroom 21A, New York, New York (the "Settlement Hearing"). At the Settlement Hearing, the Court will consider whether the proposed Settlement is fair, reasonable, and adequate and should be approved, and whether the Final Approval Motion should be approved.
- 24. Class Members may appear at the Settlement Hearing and be heard on any of the foregoing matters, if they have satisfied the procedures identified in paragraphs 27-33, below. Class Members do not need to attend the Settlement Hearing. The Court will consider any submission made in accordance with the provisions below even if a Class Member does not attend the hearing.

WHAT DO I NEED TO DO?

- 25. Nothing. Unless you wish to object to the Settlement and/or the Final Approval Motion or be heard at the Settlement Hearing (discussed below), you do not need to take any action.

HOW WILL THE FUNDS RECEIVED AS A RESULT OF THE SETTLEMENT BE DISTRIBUTED?

- 26. **You do not need to submit a claim form or take any other action.** If the Settlement is approved, the funds received as a result of the Allowed Claim in the SIPA Proceeding will be added to the balance remaining for distribution to previously approved Authorized Claimants who received a distribution from the Underwriter Settlement, and who, pursuant to the Order Approving Distribution Plan dated November 15, 2013 (the "Distribution Order"), are eligible to participate in subsequent distributions.⁶

WHAT ARE THE PROCEDURES FOR OBJECTING TO THE PROPOSED SETTLEMENT?

- 27. Any Class Member may object to the proposed Settlement and/or the Final Approval Motion. Objections must be in writing. Any objection, together with copies of all other papers and briefs supporting the objection, must be filed with the Clerk's Office at the United States District Court for the Southern District of New York on or before May 19, 2015. The papers must also be served on Lead Counsel and counsel for the SIPA Trustee at the addresses set forth below so that the papers are *received* on or before May 19, 2015.

Clerk's Office

Clerk of the Court
United States District Court for the
Southern District of New York
500 Pearl Street
New York, NY 1007

Lead Counsel

Lauren A. Ormsbee, Esq.
BERNSTEIN LITOWITZ
BERGER & GROSSMANN LLP
1285 Avenue of the Americas,
38th Floor
New York, NY 10019

Frederic S. Fox, Esq.
KAPLAN FOX &
KILSHEIMER LLP
850 Third Avenue, 14th Floor
New York, NY 10022

Counsel for the SIPA Trustee

Robert B. Funkhouser, Esq.
HUGHES HUBBARD & REED LLP
One Battery Park Plaza
New York, NY 10004

- 28. Any objection (a) must state the name, address and telephone number of the person or entity objecting and must be signed by the objector; and (b) must contain a statement of the Class Member's objection or objections, and the specific reasons for each objection, including any legal and evidentiary support the Class Member wishes to bring to the Court's attention. If you wish to object but you have not received a distribution payment in this Action, you must also include documents sufficient to show your membership in the Class with your objection.

⁶ Pursuant to the terms of the Distribution Order, only those Authorized Claimants who cashed their previous distribution check(s) and whose *pro rata* share of the next distribution would be at least \$20.00 are eligible to receive checks in subsequent distributions. See Distribution Order ¶¶ 3(f), 3(g)(i).

29. You may not object to the Settlement or the Final Approval Motion if you are not a member of the Class.
30. Unless otherwise ordered by the Court, any Class Member who does not make and serve his, her or its objection or opposition in the manner provided shall be deemed to have waived his, her or its right to object to the Settlement and the Final Approval Motion and shall forever be barred and foreclosed from objecting to the fairness, reasonableness or adequacy of the Settlement or the requested expenses, or from otherwise being heard concerning the Settlement.

HOW CAN I SPEAK AT THE SETTLEMENT HEARING?

31. If you wish to be heard at the hearing in opposition to approval of the Settlement and/or the Final Approval Motion, and if you file and serve a timely written objection as described above, you must also file a notice of appearance with the Clerk's Office and serve it on Lead Counsel and counsel for the SIPA Trustee at the addresses set forth above so that it is *received* on or before May 19, 2015.
32. You may file an objection without having to appear at the Settlement Hearing. You may not, however, present your objection at the Settlement Hearing unless you first file and serve a written objection in accordance with the procedures described above.
33. You do not need to hire an attorney in order to make a written objection to the Settlement and/or the Final Approval Motion or to appear at the Settlement Hearing. If you do decide to hire an attorney, which will be at your own expense, however, he or she must file a notice of appearance with the Court and serve it on Lead Counsel and counsel for the SIPA Trustee at the addresses set forth above so that the notice is *received* on or before May 19, 2015.
34. The Settlement Hearing may be adjourned by the Court without further notice to the Class. If you intend to attend the Settlement Hearing, you should confirm the date and time with Lead Counsel.

HOW CAN I GET MORE INFORMATION ABOUT THE SETTLEMENT?

35. You may obtain a full copy of the Stipulation at www.AmbacSecuritiesLitigation.com, or by writing to the Court-approved Administrator, as follows:

Ambac Financial Group, Inc. Securities Litigation
c/o Rust Consulting, Inc.
P.O. Box 2457
Faribault, MN 55021-9157

Telephone: (877) 497-5866
Email: info@ambacsecuritieslitigation.com

You may also obtain additional copies of this Notice by calling, writing or emailing the Administrator at the number or addresses above at any time prior to the Settlement Hearing. Additional information about the Action and the previous settlements is also available at www.AmbacSecuritiesLitigation.com. Lead Plaintiffs' papers in support of the Final Approval Motion and any related Orders of the Court will also be posted on www.AmbacSecuritiesLitigation.com

36. For other inquiries, you may contact Lead Counsel at the addresses set out in paragraph 27 above. In addition, Bernstein Litowitz Berger & Grossmann LLP may be contacted by telephone at (800) 380-8496 and by email at blbg@blbglaw.com, and Kaplan Fox & Kilsheimer LLP may be contacted by telephone at (212) 687-1980.

PLEASE DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF THE CLERK OF COURT FOR INFORMATION OR ADVICE.

Dated: March 25, 2015

By Order of the United States District Court
for the Southern District of New York