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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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**JUDGMENT APPROVING SETTLEMENT OF CLAIM
FILED IN THE SIPA LIQUIDATION OF LEHMAN BROTHERS INC.**

WHEREAS, 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, "Plaintiffs"), on behalf of themselves and as lead plaintiffs in the above-captioned action (the "Action"), and James W. Giddens (the "SIPA Trustee"), as trustee for the liquidation of Lehman Brothers Inc. ("Lehman") under the Securities Investor Protection Act of 1970, as amended ("SIPA"), have entered into a Stipulation Regarding Proofs of Claims of Public School Teachers' Pension, et al. (Nos. 5626, 5627, 5628 and 5629) dated November 11, 2014 (the "Stipulation"), that provides for, among other things, the resolution of the Claim submitted by Lead Plaintiffs on behalf of themselves and the Class in Lehman's SIPA liquidation proceeding, *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 Stipulation, subject to the approval of this Court (the "Settlement");

WHEREAS, the United States Bankruptcy Court for the Southern District of New York has entered an Stipulation and Order dated January 30, 2015 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 Settlement Stipulation, including, but not limited to, approval of distribution, notice and hearing procedures”;

WHEREAS, by Order dated March 11, 2015 (the “Preliminary Approval Order”), this Court (i) preliminarily approved the Settlement; (ii) ordered that notice of the proposed Settlement be provided to the Class; and (iii) scheduled a hearing regarding final approval of the Settlement and related matters;

WHEREAS, notice of the hearing substantially in the form approved by the Court was published on the case website, www.AmbacSecuritiesLitigation.com, as well as on Lead Counsel’s firm websites and the Summary Notice was mailed in accordance with the Preliminary Approval Order and was published over the *PR Newswire*, pursuant to the specifications of the Court;

WHEREAS, the Court conducted a hearing on June 9, 2015 to consider, among other things, (i) whether the terms and conditions of the Settlement are fair, reasonable and adequate and should be approved; and (ii) 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 (the “Final Approval Motion”) should be granted; and

WHEREAS, the Court having reviewed and considered the Stipulation, all papers filed and proceedings held herein in connection with the Settlement, all oral and written comments received regarding the proposed Settlement, and the record in the Action, and good cause appearing therefor;

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

1. This Court has jurisdiction over the subject matter of the Action and personal jurisdiction over Plaintiffs and the SIPA Trustee (together, the “Settling Parties”) and each of the Class Members.

2. This Judgment incorporates by reference the definitions in the Stipulation and the Stipulation of Settlement with the Underwriter Defendants dated May 4, 2011 (the “Underwriter Stipulation”), and all capitalized terms not otherwise defined herein shall have the same meanings as set forth in the Stipulation or the Underwriter Stipulation.

3. This Judgment incorporates and makes a part hereof: (a) the Stipulation filed with the Court on March 6, 2015; and (b) 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”), both of which were filed with the Court on May 5, 2015.

4. The Class previously certified for purposes of the settlement with the Underwriter Defendants is certified for purposes of this Settlement. The Class 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.

5. Solely for purposes of the proposed Settlement, the Court finds that each element required for certification of the Class pursuant to Rule 23 of the Federal Rules of Civil Procedure has been met: (a) the members of the Class are so numerous that their joinder in the Action

would be impracticable; (b) there are questions of law and fact common to the Class which predominate over any individual questions; (c) the claims of Plaintiffs are typical of the claims of the Class; (d) Plaintiffs and Lead Counsel have and will fairly and adequately represent and protect the interests of the Class; and (e) a class action is superior to other available methods for the fair and efficient adjudication of the Claim submitted in Lehman's SIPA Proceeding. The Court further finds that no further opportunity to request exclusion from the Class is necessary.

6. The Court finds that the publication and dissemination of the Notice and the Summary Notice: (a) were implemented in accordance with the Preliminary Approval Order; (b) constituted notice that was reasonable, under the circumstances, to apprise Class Members of the effect of the proposed Settlement and of their right to appear at the Settlement Hearing and object to the proposed Settlement and/or the Final Approval Motion; (c) constituted due, adequate and sufficient notice to all persons or entities entitled to receive notice of the proposed Settlement; and (d) satisfied the requirements of Rules 23(e)(1) and 23(h)(1) of the Federal Rules of Civil Procedure, the United States Constitution (including the Due Process Clause), and all other applicable law and rules.

7. The Court finds that Plaintiffs are legal holders of the Claim on behalf of the Class.

8. Pursuant to, and in accordance with, Rule 23(e) of the Federal Rules of Civil Procedure, this Court hereby fully and finally approves the Settlement as set forth in the Stipulation as fair, reasonable and adequate.

9. On the Effective Date, Plaintiffs, on behalf of themselves and as lead plaintiffs on behalf of the Class, will have an allowed, general unsecured creditor claim against the Lehman general estate in the SIPA Proceeding in the amount of \$550,000.00 (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 this 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.

10. 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 Proceeding¹ (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.

11. 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.

¹ Claim Nos. 5627, 5628 and 5629 are individual claims filed on behalf Plaintiffs Arkansas Teacher Retirement System, Painting Industry Insurance and Annuity Funds, and Public Employees' Retirement System of Mississippi, respectively.

12. The Court finds that the Settling Parties and their respective counsel have complied in all respects with the requirements of Rule 11 of the Federal Rules of Civil Procedure in connection with the Settlement.

13. The Court approves Lead Plaintiffs' proposal that 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 fees and expenses of Lowenstein Sandler LLP approved herein, 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 compensate Authorized Claimants with respect to their purchases or acquisitions of Ambac DISCS from February 12, 2007 to July 18, 2009 based on their Recognized Loss Amounts as calculated under the Plan of Allocation previously approved by the Court. Only Class Members who previously submitted valid claim forms in the Action, received a distribution from the Underwriter Settlement, and 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.

14. In the Order Approving Distribution Plan dated November 15, 2013, this Court previously 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." Lead Counsel have now moved for reimbursement of a total of \$79,246.33, which includes the \$16,524.83 balance due to Lowenstein Sandler LLP as of

October 2013 as well as the additional expenses that have been incurred since that date, and the amounts anticipated to be incurred through final approval of the Settlement. The Court approves the reimbursement of the total of \$79,246.33 for Lowenstein Sandler LLP's fees and expenses, which shall be paid from the funds received as a result of the Allowed Claim in the SIPA Proceeding pursuant to the Settlement.

15. Without affecting the finality of this Judgment in any way, this Court retains continuing jurisdiction over: (a) the Settling Parties for purposes of the administration, interpretation, implementation and enforcement of the Settlement; and (b) Class Members for all matters relating to the Action.

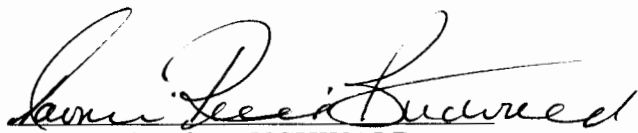
16. Without further approval from the Court, the Settling Parties are hereby authorized to agree to and adopt such amendments or modifications of the Stipulation to effectuate the Settlement that are not materially inconsistent with this Judgment. Without further order of the Court, the Settling Parties may agree to reasonable extensions of time to carry out any provisions of the Settlement.

17. If the Effective Date does not occur, then this Judgment (and any orders of the Court relating to the Settlement) shall be vacated, rendered null and void and be of no further force or effect, except as otherwise provided by the Stipulation.

18. There is no just reason to delay entry of this Judgment and immediate entry by the Clerk of the Court is expressly directed.

SO ORDERED:

Dated: New York, New York
June 9, 2015


NAOMI REICE BUCHWALD
United States District Judge

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