

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

IN RE AMBAC FINANCIAL GROUP,  
INC. SECURITIES LITIGATION

Case No. 08-cv-00411-NRB

STANLEY TOLIN and EDWARD  
WALTON, Individually and On Behalf of  
All Others Similarly Situated,

Case No. 08-cv-11241-CM

Plaintiffs,

v.

AMBAC FINANCIAL GROUP, INC.,  
ROBERT J. GENADER and SEAN T.  
LEONARD,

Defendants.

**SECOND AMENDMENT TO THE STIPULATION OF SETTLEMENT  
WITH AMBAC AND THE INDIVIDUAL DEFENDANTS**

This Second Amendment to the Stipulation of Settlement with Ambac and the Individual Defendants dated May 4, 2011 and amended May 25, 2011 (the "Stipulation"), is entered into between and among the undersigned Settling Parties (as defined in paragraph 1 of the Stipulation) by and through their respective counsel.

A. The Settling Parties hereby agree that Paragraph 35(f) of the Stipulation is amended to read as follows:

35(f) The Bankruptcy Court has either (i) entered an order, which order shall include any necessary approvals related to Ambac's entry into and performance of any obligations under this Stipulation, confirming a plan of reorganization (the "Confirmation Order") in respect of Ambac (the "Plan of Reorganization"), or (ii) entered an order pursuant to Rule 9019, in accordance with the terms of paragraph 50 below, of the Federal Rules of Bankruptcy Procedure approving Ambac's entry into and performance of any obligations under this Stipulation (the "9019 Order"). Such Confirmation Order or such 9019 Order, as the case may be, shall include provisions (w) to the fullest extent permitted by applicable law, permanently barring and enjoining all persons or entities, including but not limited to Ambac and/or Ambac as debtor in possession on behalf of Ambac and any and all of its current and former parents, affiliates, subsidiaries, predecessors, successors, heirs, estates, administrators and legal representatives ("Ambac Entities") and any shareholder or creditor of any of the Ambac Entities (including any shareholder or creditor of any of the Ambac Entities or any other person or entity purportedly acting derivatively on behalf of any of the Ambac Entities), from instituting or prosecuting or continuing to prosecute any and all manner of claims, actions, causes of actions, suits, controversies, agreements, costs, damages, judgments, and demands whatsoever, known or Unknown, suspected or unsuspected, accrued or unaccrued, arising under the laws, regulations or common law of the United States of America, any state or political subdivision thereof, or any foreign country or jurisdiction, in law, contract, or in equity, against any or all of the Individual Defendants and any or all of the current or former officers, directors or employees of any Ambac Entity, (aa) that were, could have been, might have been or might be in the future asserted in any of the Securities Actions or any of the Derivative Actions, or (bb) in connection with, arising out of, related to, or based upon, in whole or in part, directly or indirectly, any action or omission or failure to act within the Class Period or relevant periods specified in any of the Derivative Actions by any of the Individual Defendants or any of the current or former officers, directors or employees of any Ambac Entity relating to any Ambac Entity or in his or her capacity as an officer, director, or employee of any Ambac Entity, or (cc) that allege, arise out of, or are based upon or attributable to any fact, action, omission or failure to act that is (A) alleged in any of the Securities Actions or the Derivative Actions or (B) related to any fact, action, omission or failure to act alleged in the Securities Actions or the Derivative Actions; (x) providing for full releases by Ambac, on behalf of itself and (to the fullest extent of Ambac's power to do so) all Ambac Entities and (to the fullest extent of their power to do so) any shareholder, creditor or other person or entity purporting to sue on behalf of or in the right of any of the Ambac

Entities, of any and all manner of claims, actions, causes of actions, suits, controversies, agreements, costs, damages, judgments, and demands whatsoever, known or Unknown, suspected or unsuspected, accrued or unaccrued, arising under the laws, regulations or common law of the United States of America, any state or political subdivision thereof, or any foreign country or jurisdiction, in law, contract, or in equity, against any or all of the Individual Defendants and any or all of the current or former officers, directors or employees of any Ambac Entity, (aa) that were, could have been, might have been or might be in the future asserted in any of the Securities Actions or any of the Derivative Actions, or (bb) in connection with, arising out of, related to, or based upon, in whole or in part, directly or indirectly, any action or omission or failure to act within the Class Period or relevant periods specified in any of the Derivative Actions by any of the Individual Defendants or any of the current or former officers, directors or employees of any Ambac Entity relating to any Ambac Entity or in his or her capacity as an officer, director, or employee of any Ambac Entity, or (cc) that allege, arise out of, or are based upon or attributable to any fact, action, omission or failure to act that is (A) alleged in any of the Securities Actions or the Derivative Actions or (B) related to any fact, action, omission or failure to act alleged in the Securities Actions or the Derivative Actions; (y) directing the filing of appropriate applications seeking dismissal of the Derivative Actions (if such Derivative Actions have not previously been dismissed) and (z) approving Ambac's entry into the Insurer Agreement. The injunctions and releases required by this subparagraph 35(f) need not release and/or bar the claims arising under the Employee Retirement Income Security Act of 1974 at issue in the ERISA action entitled *Veera v. Ambac Administrative Committee et al.*, No. 10-cv-4191 (HB) ("*Veera*") that is pending before Judge Harold Baer, Jr. in the Southern District of New York relating to the Ambac Financial Group, Inc. Savings Incentive Plan, provided, however, that nothing herein or in any order of the Bankruptcy Court contemplated by this subparagraph shall be deemed a waiver by the defendants in *Veera* of their rights to maintain that any recovery by the Ambac Financial Group, Inc. Savings Incentive Plan pursuant to this Settlement shall offset any recovery by the plaintiffs in *Veera*.

B. The Settling Parties further agree that conforming changes will be made as necessary to the Proof of Claim Form (*see* Exhibit A-2 to Exhibit A to the Stipulation) and the Notice of Pendency of Class Action and Proposed Settlement, Final Approval Hearing, and Motion for Attorneys' Fees and Reimbursement of Litigation Expenses (*see* Exhibit A-1 to Exhibit A to the Stipulation) prior to distribution.

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to the

Stipulation to be executed, by their duly authorized attorneys as of July 15, 2011.

On behalf of *Lead Plaintiffs in In re Ambac  
Securities Litigation*

BERNSTEIN LITOWITZ BERGER & GROSSMANN LLP

By: Steven B. Singer  
Steven B. Singer (LAW)  
Kurt Hunciker  
Niki L. Mendoza  
Lauren A. McMillen  
1285 Avenue of the Americas, 38th Floor  
New York, New York 10019  
Telephone: (212) 554-1400  
Facsimile: (212) 554-1444

-and-

KAPLAN FOX & KILSHEIMER LLP

By: Frederic S. Fox  
Frederic S. Fox (LAW)  
Donald Hall  
Hae Sung Nam  
850 Third Avenue, 14th Floor  
New York, New York 10022  
Telephone: (212) 687-1980  
Facsimile: (212) 687-7714

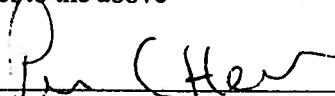
On behalf of *Plaintiffs in Tolin v. Ambac Financial Group, Inc.*

GARDY & NOTIS, LLP

By: James S. Notis  
James S. Notis (LAW)  
Kelly A. Noto  
560 Sylvan Avenue  
Englewood Cliffs, New Jersey 07632  
Telephone: (201) 567-7377  
Facsimile: (201) 567-7337

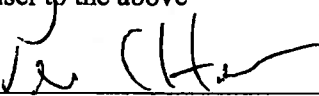
On behalf of *Michael A. Callen, Jill M. Considine, Robert J. Genader, W. Grant Gregory, Philip B. Lassiter, Sean T. Leonard, Thomas C. Theobald, John W. Uhlein III, Laura S. Unger, Henry D.G. Wallace, and David W. Wallis*

By: WACHTELL, LIPTON, ROSEN & KATZ,  
counsel to the above

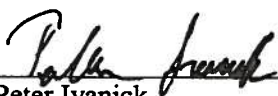
By:   
Peter C. Hein (pchein@wlrk.com)  
Warren R. Stern (wrstern@wlrk.com)  
Lee Wilson (clwilson@wlrk.com)  
51 West 52<sup>nd</sup> Street  
New York, New York 10019  
Telephone: (212) 403-1000  
Facsimile: (212) 403-2000

On behalf of *Gregg L. Bienstock, Kevin J. Doyle, Philip Duff, Thomas J. Gandolfo, Kathleen McDonough, William T. McKinnon, Douglas C. Renfield-Miller, Robert G. Shoback*

By: WACHTELL, LIPTON, ROSEN & KATZ,  
counsel to the above

By:   
Peter C. Hein (pchein@wlrk.com)  
Warren R. Stern (wrstern@wlrk.com)  
Lee Wilson (clwilson@wlrk.com)  
51 West 52<sup>nd</sup> Street  
New York, New York 10019  
Telephone: (212) 403-1000  
Facsimile: (212) 403-2000

On behalf of *Ambac Financial Group, Inc.*

By:  **BMH**  
Peter Ivanick  
Allison Weiss  
DEWEY & LEBOEUF LLP  
1301 Avenue of the Americas  
New York, New York 10019  
Telephone: (212) 259-8000  
Facsimile: (212) 259-6333  
Counsel to Ambac Financial Group, Inc.

Peter C. Hein (pchein@wlrk.com)  
Warren R. Stern (wrstern@wlrk.com)  
Lee Wilson (clwilson@wlrk.com)  
WACHTELL, LIPTON, ROSEN & KATZ  
51 West 52<sup>nd</sup> Street  
New York, New York 10019  
Telephone: (212) 403-1000  
Facsimile: (212) 403-2000  
Counsel to Ambac Financial Group, Inc.