

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”).<sup>1</sup>**

**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.

<sup>1</sup> 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](http://www.AmbacSecuritiesLitigation.com) and from Lead Counsel's websites, [www.blbglaw.com](http://www.blbglaw.com) and [www.kaplanfox.com](http://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](mailto: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:

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By Order of the Court