

Hearing Date: May 25, 2011 at 10:00 A.M. (prevailing Eastern Time)  
Objection Deadline: May 18, 2011 at 4:00 P.M. (prevailing Eastern Time)

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*Attorneys for the Debtor and Debtor in Possession*

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK**

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<i>In re</i>	: Chapter 11 Case No.
	:
AMBAC FINANCIAL GROUP, INC.,	: Case No. 10-15973 (SCC)
	:
Debtor.	:
	:
	:
	:-----X

**NOTICE OF DEBTOR’S MOTION PURSUANT TO BANKRUPTCY  
RULES 9006(b) AND 9027 FOR AN ORDER FURTHER EXTENDING  
ITS TIME TO FILE NOTICES OF REMOVAL OF CIVIL ACTIONS**

**PLEASE TAKE NOTICE** that a hearing on the annexed motion (the “Motion”) will be held before the Honorable Shelley C. Chapman, United States Bankruptcy Judge, in Room 610 of the United States Bankruptcy Court, One Bowling Green, New York, New York 10004-1408 on May 25, 2011, at 10:00 a.m. (Eastern Time), or as soon thereafter as counsel may be heard (the “Hearing”).



**PLEASE TAKE FURTHER NOTICE** that objections, if any, to the relief requested in the Motion (i) must comply with the Federal Rules of Bankruptcy Procedure, the Local Rules of the United States Bankruptcy Court for the Southern District of New York and the *Amended Order Pursuant to Bankruptcy Rules 2002, 9007, and 9036, and Local Rule 2002-2, Establishing Certain Notice, Case Management, and Administrative Procedures* entered on December 21, 2010 [Docket No. 75] (the “Case Management Order”), (ii) must be set forth in writing describing the basis therefor, and (iii) shall be filed electronically with the Court on the docket of *In re Ambac Financial Group, Inc.*, Case No. 10-15973 (SCC), in accordance with General Order M-399, by registered users of the Court’s case filing system and by all other parties in interest on a 3.5 inch disk.

**PLEASE TAKE FURTHER NOTICE** that, pursuant to Local Rule 9070-1, (i) at least one hard copy of any objections filed shall be marked “Chambers Copy” and delivered in an unsealed envelope to the chambers of the Honorable Judge Shelley C. Chapman, United States Bankruptcy Court, One Bowling Green, New York, New York 10004, not later than the next business day following the date on which such document is electronically filed, and (ii) copies of any objections filed shall be delivered by first class mail to (a) Dewey & LeBoeuf LLP, 1301 Avenue of the Americas, New York, New York 10019, Attn: Tevia Jeffries, Esq., counsel for the Debtor; (b) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attn: Brian Masumoto, Esq.; (c) Foley & Lardner LLP, 777 Wisconsin Avenue, Milwaukee, WI 53202, Attn: Frank DiCastrì, counsel for Wisconsin Office of the Commissioner of Insurance; (d) Morrison & Foerster LLP, 1290 Avenue of the Americas, New York, New York 10104, Attn: Anthony Princi, Esq., counsel

for the Committee; and (e) all parties who have requested notice in this chapter 11 case, so as to be received no later than May 18, 2011, at 4:00 p.m. (Eastern Time).

**PLEASE TAKE FURTHER NOTICE** that objecting parties are required to attend the Hearing and failure to appear may result in relief being granted or denied upon default.

Dated: May 11, 2011  
New York, New York

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**DEBTOR’S MOTION PURSUANT TO BANKRUPTCY  
RULES 9006(b) AND 9027 FOR AN ORDER FURTHER EXTENDING  
ITS TIME TO FILE NOTICES OF REMOVAL OF CIVIL ACTIONS**

TO THE HONORABLE SHELLEY C. CHAPMAN,  
UNITED STATES BANKRUPTCY JUDGE:

Ambac Financial Group, Inc., as debtor and debtor in possession in the above-captioned chapter 11 case (the “Debtor”), by and through its undersigned counsel, hereby submits this motion (the “Motion”), pursuant to 28 U.S.C. § 1452 and Rules 9006 and 9027 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), for an order further

extending the period within which the Debtor may remove to this Court civil actions and proceedings to which the Debtor is or may become party (collectively, the “Civil Actions”). In further support of this Motion, the Debtor respectfully represents:

### **Background**

1. On November 8, 2010 (the “Commencement Date”), the Debtor commenced a voluntary case under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The Debtor continues to operate its businesses and manage its properties as debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

2. On November 17, 2010, the Office of the United States Trustee for the Southern District of New York (the “U.S. Trustee”) appointed a statutory committee of creditors (the “Committee”) [Docket No. 27]. No trustee or examiner has been appointed in this case.

3. The Debtor is a Delaware corporation. The Debtor’s principal operating subsidiary, Ambac Assurance Corporation (“AAC”), is a Wisconsin-domiciled financial guarantee insurance company whose business includes the issuance of financial guarantee insurance policies to support public finance, structured finance and international finance transactions.

4. Additional information regarding the Debtor’s capital structure and events leading up to the commencement of the Debtor’s chapter 11 case is available in the *Affidavit of David W. Wallis in Support of the Debtor’s Chapter 11 Petition and First Day Motions and Pursuant to Local Rule 1007-2*, filed on November 8, 2010 [Docket No. 2].

### **Jurisdiction and Venue**

5. This Court has jurisdiction to consider and determine this matter pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

### **Relief Requested**

6. In the ordinary course of its business, the Debtor is party to numerous civil actions and proceedings commenced prior to the Commencement Date in various state and federal courts. Pursuant to Rule 9027 of the Bankruptcy Code, February 7, 2011, was the initial deadline for the Debtor to remove the Civil Actions to this Court. Pursuant to an order entered by the Court on February 2, 2011 [Docket No. 147], such deadline was extended to June 7, 2011. The Debtor now seeks a further extension.

7. By this Motion, the Debtor respectfully requests entry of an order, substantially in the form annexed hereto as Exhibit A, pursuant to 28 U.S.C. § 1452 and Bankruptcy Rules 9006(b) and 9027, further extending the time within which the Debtor is permitted to file notices of removal of the Civil Actions, and thereby remove such Civil Actions to this Court, to the later of (a) December 5, 2011,<sup>1</sup> and (b) 30 days after the entry of an order terminating the automatic stay with respect to a particular Civil Action.

### **Basis for Relief**

8. Section 1452 of title 28 of the United States Code provides for the removal of civil claims or actions related to bankruptcy cases. Specifically, section 1452 provides in pertinent part:

A party may remove any claim or cause of action in a civil action other than a proceeding before the United States Tax Court or a civil action by a governmental unit to enforce such governmental unit's police or regulatory power, to a district court for the district where such civil action is pending, if such district court has jurisdiction of such claim or cause of action under section 1334 of this title.

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<sup>1</sup> Because 180 days from June 7, 2011, is Sunday, December 4, 2011, the deadline, as requested herein, for the Debtor to file notices to remove the Civil Actions would fall on the next business day, December 5, 2011.

The court to which such claim or cause of action is removed may remand such claim or cause of action on any equitable ground. An order entered under this subsection remanding a claim or cause of action, or a decision to not remand, is not reviewable by appeal or otherwise.

28 U.S.C. § 1452.

9. Bankruptcy Rule 9027 sets forth the time periods for the filing of notices to remove claims or causes of action. Specifically, Bankruptcy Rule 9027 provides, in pertinent part:

If the claim or cause of action in a civil action is pending when a case under the Code is commenced, a notice of removal may be filed only within the longest of (A) 90 days after the order for relief in the case under the Code, (B) 30 days after entry of an order terminating a stay, if the claim or cause of action in a civil action has been stayed under § 362 of the Code, or (C) 30 days after a trustee qualifies in a chapter 11 reorganization case but not later than 180 days after the order for relief.

Fed. R. Bankr. P. 9027(a)(2).

10. Bankruptcy Rule 9006 permits the court to extend the period provided by Bankruptcy 9027 to remove civil claims or actions. Specifically, Bankruptcy Rule 9006 provides, in pertinent part:

Except as provided in paragraphs (2) and (3) of this subdivision, when an act is required by or allowed to be done at or within a specified period by these rules or by a notice given thereunder or by order of court, the court for cause shown may at any time in its discretion (1) with or without motion or notice order the period enlarged if the request therefore is made before the expiration of the period originally prescribed or as extended by a previous order or (2) on motion made after the expiration of the specified period permit the act to be done where the failure to act was the result of excusable neglect.

Fed. R. Bankr. P. 9006(b)(1).

11. It is well settled, in this district and others, that this Court is authorized to extend for cause the removal period provided under 28 U.S.C. § 1452 and Bankruptcy Rule

9027. See *In re Jandous Elec. Constr. Corp.*, 106 B.R. 48, 50 (Bankr. S.D.N.Y. 1989) (a debtor's period in which to file a motion to remove may be expanded pursuant to Bankruptcy Rule 9006); see also *Pacor, Inc. v. Higgins*, 743 F.2d 984, 996 n.17 (3d Cir. 1984), *overruled on other grounds by Things Remembered, Inc. v. Petrarca*, 516 U.S. 124, 134-35 (1995) (holding the bankruptcy court's power to grant an extension of the removal period pursuant to Bankruptcy Rule 9006(b) is "clear"); *Caperton v. A.T. Massey Coal Co.*, 251 B.R. 322, 325 (S.D. W. Va. 2000) (Bankruptcy Rule 9006 provides authority to enlarge time periods for removing actions under Bankruptcy Rule 9027); *In re World Fin. Servs. Ctr., Inc.*, 81 B.R. 33, 39 (Bankr. S.D. Cal. 1987) (the Supreme Court intended to give bankruptcy judges the power to enlarge the filing periods under Bankruptcy Rule 9027(a) pursuant to Bankruptcy Rule 9006(b)); *Raff v. Gordon*, 58 B.R. 988, 990 (E.D. Pa. 1986) (an expansion of time to file notices of removal is authorized under the Bankruptcy Rules).

**Cause Exists to Warrant  
Extension of the Removal Period**

12. As stated above, the time within which the Debtor must file notices to remove the Civil Actions, and thereby remove such Civil Actions to this Court, is currently set to expire on June 7, 2011. Over the past several months, the Debtor has focused its efforts on negotiations with parties in interest with a view to devising a consensual bankruptcy plan of reorganization, as well as addressing other time-sensitive and complex issues that have arisen in this case.

13. The Debtor has expended considerable effort towards reaching an agreement with the Committee and the Office of the Commissioner of Insurance of the State of Wisconsin ("OCI") on a consensual bankruptcy plan of reorganization, consensual extensions of forbearance during term sheet negotiations, and resolution of intercompany claims. The



proposed terms being negotiated involve complicated tax and insurance regulatory matters, requiring significant attention from the Debtor's employees and professionals to determine the effects of various settlement proposals on the Debtor's estate. The Debtor has had to meet regularly with the Committee, OCI and their respective professionals in order to work through these difficult issues. The Debtor also continues to work diligently to respond to extensive document and information requests from the Committee.

14. Moreover, in respect of the adversary proceeding, *Ambac Financial Group, Inc. v. United States of America*, Case No. 10-04210 (the "IRS Adversary Proceeding"), during the last several months, the Debtor and its professionals have needed to expend a significant amount of time (i) responding to extensive discovery requests from the Internal Revenue Service (the "IRS") and (ii) negotiating and implementing alternative dispute resolution procedures. As a result of these efforts, the Debtor is now in a position to commence mediation. Because of the profound impact the resolution of the IRS Adversary Proceeding will have on the structure of a Plan and the availability of recoveries pursuant thereto, the management of the IRS Adversary Proceeding has been a major focus of the Debtor's officers, employees and professionals.

15. Additionally, in respect of the adversary proceeding, *Ambac Financial Group, Inc. v. Veera*, Case No. 11-01265, pursuant to the Court's *Order Granting Debtor's Motion for Summary Judgment and Confirming the Applicability of the Automatic Stay to the ERISA Action Pursuant to Section 362(a) of the Bankruptcy Code and Granting in Part Karthikeyan V. Veera's Motion for Relief from the Automatic Stay Pursuant to Section 362(d) of the Bankruptcy Code*, entered on March 8, 2011 [Chapter 11 Docket No. 207, Adversary Docket No. 15], the Debtor was directed to conduct a voluminous document production of, *inter alia*, (i)

the minutes of meetings of the Debtor's Board of Directors, together with the documents that were discussed or reviewed at those meetings, (ii) the minutes of the meetings of several committees, together with the documents that were discussed or reviewed at those meetings, and (iii) the calendars maintained by or for certain of the Debtor's officers and directors of the Debtor, all for multiple years. This production included a privilege review that involved significant coordination with OCI in respect of statutory privilege issues.

16. Over the last several months, the Debtor and its professionals have also focused substantial energy on the rehabilitation proceedings in Wisconsin state court (the "Rehabilitation Court") in respect of the segregated account of AAC (the "Segregated Account"), including (i) confirming a plan of rehabilitation of the Segregated Account, (ii) opposing an IRS motion to remove to the United States District Court for the Western District of Wisconsin the IRS' objection to an injunction issued by the Rehabilitation Court against the IRS, which is currently on appeal to the Seventh Circuit, and (iii) opposing multiple appeals of the Rehabilitation Court's order confirming the plan of rehabilitation.

17. With respect to the Civil Actions, the Debtor is continuing to review its files and records to determine whether it should remove any of the Civil Actions. The Debtor has nevertheless spent the last several months focusing the bulk of its energy on negotiating with parties in interest, assessing restructuring options, and addressing the exigencies described above and other matters that have arisen in this chapter 11 case, all to preserve value for the benefit of all parties in interest. As a result, the Debtor requires additional time to consider removal of the Civil Actions. Further extending the Debtor's period to file notices of removal will permit the Debtor to fully review and evaluate its pending litigation matters within the larger context of this chapter 11 case. Moreover, this relief will not unduly prejudice any counterparty to the Civil

Actions because such adverse parties may not prosecute the Civil Actions absent relief from the automatic stay. Further, if the Debtor removes any Civil Action to federal court, the affected adverse party will retain its right to seek remand of the removed Civil Action back to state court pursuant to 28 U.S.C. § 1452(b).

18. Courts in this district and others have granted similar relief in other large chapter 11 cases. *See, e.g., In re Saint Vincents Catholic Medical Centers of New York*, No. 10-11963 (CGM) (Bankr. S.D.N.Y. May 2, 2011) (period currently extended until confirmation of chapter 11 plan(s)); *In re Innkeepers USA Trust*, No. 10-13800 (SCC) (Bankr. S.D.N.Y. Oct. 14, 2010) (period extended until later of (a) 268 days after petition date, or (b) 30 days after the entry of an order terminating the automatic stay with respect to the particular action sought to be removed); *In re Neff Corp.*, No. 10-12610 (SCC) (Bankr. S.D.N.Y. August 8, 2010) (period extended until the effective date of chapter 11 plan); *In re Lehman Bros. Holdings, Inc.*, No. 08-13555 (JMP) (Bankr. S.D.N.Y. Dec. 18, 2008) (period extended until confirmation of chapter 11 plan); *In re Quebecor World (USA)*, No. 08-10152 (JMP) (Bankr. S.D.N.Y. Dec. 18, 2008) (period extended until later of (a) the confirmation date, or (b) 30 days after the entry of an order terminating the automatic stay with respect to the particular action sought to be removed); *In re PRC, LLC*, No. 08-10239 (MG) (Bankr. S.D.N.Y. April 23, 2008) (period extended until the earlier of (a) the effective date of a confirmed chapter 11 plan, or (b) 180 days after the petition date); *In re Dana Corp.*, No. 06-10354 (BRL) (Bankr. S.D.N.Y. May 23, 2007) (period extended until confirmation of chapter 11 plan); *In re Calpine Corp.*, No. 05-60200 (BRL) (Bankr. S.D.N.Y. March 20, 2006) (period extended to the later of (a) 210 days after the petition date or (b) 30 days after the entry of an order terminating the automatic stay with respect to the

particular action sought to be removed). The Debtor submits the period requested herein is well within the range of extensions granted by this and other courts under similar circumstances.

19. In sum, the Debtor believes the proposed extension will enable it to properly consider, and make informed decisions concerning, the removal of the Civil Actions, although it reserves the right to request additional extensions should they become necessary. If the requested extension is not granted, the Debtor believes it will not have sufficient time to fully consider the removal of the Civil Actions. Accordingly, the Debtor submits cause exists to grant the relief requested herein, and such relief is appropriate and in the best interests of the Debtor and its estate and creditors.

#### **Notice**

20. Notice of this Motion has been provided by facsimile, electronic mail transmission, overnight delivery and/or hand delivery to (i) the U.S. Trustee, (ii) counsel to OCI, (iii) counsel to the Committee, (iv) counsel to the plaintiffs in the Civil Actions, and (v) those parties who have requested notice pursuant to Rule 2002 as of the date of this Motion. The Debtor submits that no other or further notice need be provided.

#### **No Previous Request**

21. No previous request for the relief sought herein has been made by the Debtor to this or any other court.

22. Because this Motion raises no novel issues of law, and the authorities relied upon are set forth herein, the Debtor respectfully submits that the Motion itself satisfies the requirements of Rule 9013-1(b) of the Local Bankruptcy Rules for the Southern District of New York regarding the submission of a memorandum of law.

WHEREFORE the Debtor respectfully requests an order (i) further extending the Debtor's time under Bankruptcy Rule 9027 to file notices of removal of the Civil Actions, and thereby remove such Civil Actions to this Court, to the later of (a) December 5, 2011, and (b) 30 days after the entry of an order terminating the automatic stay with respect to a particular Civil Action; and (ii) granting such other and further relief as the Court deems just and proper.

Dated: May 11, 2011  
New York, New York

/s/ Allison H. Weiss

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**EXHIBIT A**

**Proposed Order**



of the date of this Motion; and it appearing that no other or further notice need be provided; and the Court having determined that the relief sought in the Motion is in the best interests of the Debtor, its estate and creditors, and all parties in interest, and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor, it is:

ORDERED that the Motion is granted; and it is further

ORDERED that, pursuant to Bankruptcy Rule 9006(b), the time provided by Bankruptcy Rule 9027 to file notices of removal of the Civil Actions, and thereby remove such Civil Actions to this Court, is extended to the later of (a) December 5, 2011, and (b) 30 days after the entry of an order terminating the automatic stay with respect to a particular Civil Action; and it is further

ORDERED that this Order shall be without prejudice to the Debtor's right to request further extensions of time to file notices of removal of the Civil Actions, and thereby remove such Civil Actions to this Court; and it is further

ORDERED that this Order shall be without prejudice to any position the Debtor may take regarding whether section 362 of the Bankruptcy Code applies to any Civil Action; and it is further

ORDERED that the Debtor is authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion; and it is further

ORDERED that the terms and conditions of this Order shall be immediately effective and enforceable upon its entry; and it is further



ORDERED that this Court shall retain jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Dated: \_\_\_\_\_, 2011  
New York, New York

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THE HONORABLE SHELLEY C. CHAPMAN  
UNITED STATES BANKRUPTCY JUDGE