

MORRISON & FOERSTER LLP  
1290 Avenue of the Americas  
New York, New York 10104  
Telephone: (212) 468-8000  
Facsimile: (212) 468-7900  
Anthony Princi  
Meryl L. Rothchild

*Attorneys for the Official Committee of  
Unsecured Creditors of Ambac Financial Group, Inc.*

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

---

In re

AMBAC FINANCIAL GROUP, INC.,

Debtor.

---

)  
) Chapter 11  
)

) Case No. 10-15973 (SCC)  
)  
)  
)  
)  
)  
)

**OFFICIAL COMMITTEE OF UNSECURED CREDITORS' STATEMENT  
RESPECTING THE DEBTOR'S MOTION FOR AN ORDER (I) APPROVING  
A MODIFICATION OF THE DEBTOR'S CONFIRMED FIFTH AMENDED  
PLAN OF REORGANIZATION, (II) BARRING CHARLES LEMONIDES  
FROM SERVING AS A BOARD MEMBER OF THE REORGANIZED DEBTOR  
AND (III) DIRECTING THE STATUTORY COMMITTEE OF CREDITORS  
TO APPOINT A NEW BOARD NOMINEE**

TO THE HONORABLE SHELLEY C. CHAPMAN  
UNITED STATES BANKRUPTCY JUDGE

The Official Committee of Unsecured Creditors (the "Committee") of Ambac Financial Group, Inc. (the "Debtor" or "Company") submits this statement (the "Statement") in respect of the *Debtor's Motion Pursuant to Bankruptcy Code Sections 1127(b) and 105(a) for an Order (I) Approving a Modification of the Debtor's Confirmed Fifth Amended Plan of Reorganization, (II) Barring Charles Lemonides from Serving as a Board member of the Reorganized Debtor and*

*(III) Directing the Statutory Committee of Creditors to Appoint a New Board Nominee* [Docket No. 1231] (the “Motion”). Through its undersigned counsel, the Committee respectfully states as follows:

**JURISDICTION AND VENUE**

1. This Court has jurisdiction to consider and determine this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Additionally, this Court has jurisdiction over this post-confirmation matter pursuant to Article XI of the Plan and paragraph 33 of the Confirmation Order, as defined below.

2. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

**STATEMENT**

3. As set forth more fully herein, the Committee believes that based on the nature of the information it has received regarding this matter, it would be inappropriate for it to take a position in response to the Debtor’s Motion; instead, the Committee is filing this Statement for the benefit of the Court in order to clarify the Committee’s history with this matter and its present posture.

4. As recited in the Debtor’s Motion, Article IV.K. of the Plan authorized the Committee to appoint three directors to the New Board of reorganized Ambac Financial Group who will take office on the Effective Date and serve on an interim basis until the Holders of the New Common Stock elect the members of the New Board. Pursuant to the Plan, the Committee designated Lemonides as one of its appointees as a director. Lemonides and the other director nominees were identified in the Ksenak Declaration and Paragraph II.K. of the Confirmation Order provided that the New Board will be compromised of, in addition to the Reorganized Debtor’s Chief Executive Officer, the four additional directors (including Lemonides) identified

in the Ksenak Declaration. The Plan and Confirmation Order made no provision for the removal or replacement of directors appointed to the board pursuant to the Plan and the Confirmation Order.

5. The Committee, through its counsel, learned of the allegations that became the subject of the Debtor's Motion in late January, 2013. Shortly after learning of this, the Committee's counsel initiated separate telephone conversations with Lemonides and, with the consent of Debtor's counsel, Trick to learn of their respective positions regarding this matter.

6. Within a short time thereafter the Committee's counsel received the Ivanick Letter,<sup>1</sup> dated February 12, 2013, in which the Debtor requested that the Committee remove Lemonides as a New Board nominee. In response to the Ivanick Letter, the Committee held a telephonic meeting, at which Lemonides and his counsel initially were present, to discuss the Debtor's request and provide a forum where Lemonides could inform the Committee of his response to the allegations set forth in the Ivanick Letter. During this meeting Lemonides denied the material allegations set forth in the Ivanick Letter.

7. After Lemonides addressed the other two members of the Committee (The Bank of New York Mellon Trust Company and Law Debenture Trust Company of New York, in their respective capacities as indenture trustees), Lemonides was recused from this meeting in order to allow the other Committee members to address the Debtor's request.

8. Considering the absence of any provision in the Plan to address the circumstances presented and the lack of a developed evidentiary record, based on the facts presented to it at the meeting the Committee decided to take no action on the Debtor's request. Accordingly, the

---

<sup>1</sup> Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Motion.

Committee's counsel sent a letter dated February 19, 2013 to the Debtor's counsel informing him that the Committee was declining to act on the Debtor's request.

9. On or about February 21, 2013, the Committee received another letter from the Debtor's counsel asking for a meeting with the Committee to allow the Debtor's representatives to address this matter to the Committee members in-person. The letter also informed the Committee that the Debtor intended to bring this matter before this Court should the Committee decide to not take action to remove Lemonides as a New Board nominee. The Debtor also requested that the other three New Board nominees attend such meeting. On February 25, 2013, these parties, including Lemonides and his counsel, met with the Committee for this purpose. The Committee heard the statements from Mr. Ivanick, the Debtor's counsel, Ms. Adams, the Debtor's Chief Executive Officer, Trick and the other director designees. After the Debtor's representatives addressed the Committee, the Committee then heard from Lemonides, who again denied the material allegations set forth by the Debtor. The reports by Trick and Lemonides during the meeting of Lemonides's communications to Trick that are the gravamen of the Debtor's request for relief on this motion remained materially inconsistent with one another.

10. Thereafter the Debtor's representatives, Lemonides and his counsel and the other three New Board nominees left the meeting, and the Committee again addressed the Debtor's request. The Committee determined that the representations made by the Debtor and Lemonides at the meeting did not provide sufficient additional information that would justify taking action on the Debtor's request. In deliberations, the Committee considered the absence of a developed evidentiary record and the fact that the unsworn accounts of Trick and Lemonides were directly at odds. As a result, the Committee was being asked to be the final arbiter of serious allegations without a fully formed evidentiary record on which to rest its decision on a response to the

Debtor's allegations and related request. Once again the Committee concluded not to take action based on the factual presentation made to it and relayed this decision to the Debtor's counsel.

11. The Debtor subsequently sought and scheduled a Chambers conference in which the Debtor's counsel, Committee counsel, and counsel to each of the Committee members participated. Following the Chambers conference, the Debtor filed the instant Motion.

*[Remainder of Page Intentionally Left Blank.]*

12. Now that the Debtor has presented the matter to the Court, the Committee believes that any finding of fact with respect to the allegations should be made by the Court. Accordingly, the Committee takes no position with respect to the claims made or the primary relief sought by the Debtor in the Motion. However, should the Court ultimately decide the Motion in the Debtor's favor and authorize a modification of the Plan to accommodate the Debtor's requested relief, the Committee supports the Debtor's request to replace the current version of Article IV.K of the Plan with the modified provision set forth in the Motion. In such situation, the Committee supports the position that such a plan modification is warranted without the need for additional disclosure or solicitation, and incorporates herein by reference the Debtor's arguments in support thereof. However the Court rules, the Committee recognizes the importance of resolving this matter expeditiously and judiciously so that the Debtor may exit bankruptcy as soon as practically possible.

Dated: April 4, 2013  
New York, New York

Respectfully Submitted,

/s/ Anthony Princi

Anthony Princi  
Meryl L. Rothchild  
MORRISON & FOERSTER LLP  
1290 Avenue of the Americas  
New York, New York 10104  
Telephone: (212) 468-8000  
Facsimile: (212) 468-7900

*Attorneys for the Official Committee of Unsecured  
Creditors of Ambac Financial Group, Inc.*