

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

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<i>In re</i>	:	
	:	<b>Chapter 11</b>
<b>AMBAC FINANCIAL GROUP, INC.,</b>	:	
	:	<b>Case No. 10-15973 (SCC)</b>
<b>Debtor.</b>	:	
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**ORDER (I) APPROVING THE DISCLOSURE STATEMENT, (II) ESTABLISHING SOLICITATION, VOTING, AND TABULATION PROCEDURES, (III) APPOINTING A VOTING AGENT, AND (IV) SCHEDULING A CONFIRMATION HEARING AND APPROVING THE FORM AND MANNER OF NOTICE THEREOF**

Upon the motion (the “Motion”)<sup>1</sup> of Ambac Financial Group, Inc. (the “Debtor”), as debtor and debtor in possession in this chapter 11 case, for an order (the “Disclosure Statement Order”), pursuant to Bankruptcy Code sections 105(a), 1125, and 1126, Bankruptcy Rules 2002, 3003, 3017, 3018, and 3020, and Local Rule 3018-1, (i) approving the Debtor’s Disclosure Statement as containing “adequate information,” within the meaning of Bankruptcy Code section 1125(a), and the form and manner of notice of the hearing to consider approval of the Disclosure Statement; (ii) approving procedures that, among other things, (a) specify which creditors are entitled to vote to accept or reject the Plan and govern the temporary allowance of Claims for voting purposes, (b) establish a Voting Record Date, (c) govern the form and manner of the distribution of Solicitation Packages, (d) approve the form of Ballots and Notices of Non-Voting Status, (e) establish a Voting Deadline and Vote Certification Deadline, and (f) govern the Ballot tabulation process; (iii) appointing KCC as the Debtor’s Voting Agent; and (iv) scheduling a Confirmation Hearing and Plan Objection Deadline and approving the form and manner of

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<sup>1</sup> Capitalized terms used but not defined herein shall have the meanings set forth in the Motion.



notice thereof, all as more fully set forth in the Motion; and the Debtor having filed with the Court the Plan, the Disclosure Statement, and the Kass Declaration; and the Court having reviewed the Motion, the Plan, the Disclosure Statement, the Kass Declaration, and objections to the Motion, if any; and the Court having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. § 1334 and Standing Order M-61 Referring to Bankruptcy Judges for the Southern District of New York Any and All Proceedings Under Title 11, dated July 10, 1984 (Ward, Acting C.J.); and consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion and the deadline for objecting thereto having been provided; and a hearing having been held to consider the relief requested in the Motion (the “Hearing”); and upon the record of the Hearing and all of the proceedings had before the Court; and the Court having determined that the relief sought in the Motion is in the best interests of the Debtor, its estate, its 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 any objections to the relief requested having been withdrawn, overruled, or otherwise resolved; and after due deliberation and sufficient cause appearing therefor, it is hereby FOUND AND DETERMINED:

A. Adequate Information: The Disclosure Statement contains adequate information, within the meaning of Bankruptcy Code section 1125, to enable creditors to make an informed judgment with respect to the Plan.

B. Disclosure Statement Hearing Notice: The Disclosure Statement Hearing Notice provides adequate and sufficient notice of the Disclosure Statement Hearing, the manner in

which a copy of the Disclosure Statement and the Plan could be obtained, and the time fixed for filing objections to the Motion.

C. Fair Procedures: The solicitation, voting, and tabulation procedures set forth below provide a fair and equitable process for voting to accept or reject the Plan and are consistent with Bankruptcy Code section 1126.

D. Non-Voting Unimpaired Classes: Class 1 Priority Non-Tax Claims and Class 2 Secured Claims are unimpaired under the Plan, and thus, holders of such Claims are conclusively presumed to accept the Plan and are not entitled to vote on account of such Claims.

E. Non-Voting Impaired Classes: Class 6 Section 510(b) Claims, Class 7 Intercompany Claims, and Class 8 Equity Interests will not receive or retain any property under the Plan, and thus, holders of such Claims and Equity Interests are deemed to reject the Plan and are not entitled to vote on account of such Claims and Equity Interests.

F. Voting Classes: Holders of Class 3 General Unsecured Claims, Class 4 Senior Notes Claims, and Class 5 Subordinated Notes Claims are impaired and thus, subject to the procedures set forth below, are entitled to vote on account of such Claims.

G. Solicitation Packages: The proposed distribution and content of the Solicitation Packages comply with Bankruptcy Rules 2002 and 3017 and provide sufficient notice to all interested parties of the Voting Record Date, the Voting Deadline, the Plan Objection Deadline, the Confirmation Hearing, and all related matters.

H. Ballots: The form of General Ballot, attached hereto as Exhibit 1, the form of Senior Noteholder Ballot, attached hereto as Exhibit 2-A, the form of Subordinated Noteholder Ballot, attached hereto as Exhibit 2-B, the form of Senior Noteholder Master Ballot, attached hereto as Exhibit 3-A, and the form of Subordinated Noteholder Ballot, attached hereto as

Exhibit 3-B, including all voting instructions provided therein, are consistent with Official Form No. 14, address the particular needs of this case, and provide adequate information and instructions for each creditor entitled to vote to accept or reject the Plan.

I. Notices of Non-Voting Status: The form of Notice of Non-Voting Unimpaired Status, attached hereto as Exhibit 4, and the form of Notice of Non-Voting Impaired Status, attached hereto as Exhibit 5, comply with the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules and provide adequate notice to non-voting holders of Claims and Equity Interests of their non-voting status and no further notice is necessary.

J. Voting Period: The period between the Solicitation Deadline and the Voting Deadline is a reasonable and sufficient period of time for holders of Claims in the Voting Classes to make an informed decision whether to vote to accept or reject the Plan and timely return Ballots evidencing such decision.

K. Voting Agent: KCC continues to neither hold nor represent any interest adverse to the Debtor or its estate and continues to be a “disinterested person,” as such term is defined in Bankruptcy Code section 101(14).

L. Confirmation Hearing Notice and Objection Procedures: The form of Confirmation Hearing Notice, attached hereto as Exhibit 6, and the mailing and publication thereof, provide adequate notice to all parties in interest of the Voting Deadline, the Plan Objection Deadline, the Confirmation Hearing, and all related matters.

THEREFORE, IT IS HEREBY ORDERED AS FOLLOWS:

Approval of the Disclosure Statement and Disclosure Statement Hearing Notice

1. The Disclosure Statement is approved.

2. The form and manner of service of the Disclosure Statement Hearing Notice is approved.

Creditors Entitled to Vote; Temporary Allowance of Claims for Voting Purposes

3. Each holder of a Claim in the Voting Classes shall be entitled to vote to accept or reject the Plan, unless, as of the Voting Record Date, (i) such Claim has been disallowed, expunged, disqualified, or suspended; or (ii) unless otherwise provided herein, such Claim is subject to an objection or estimation motion.

4. With respect to notices of transfers of Claims filed with the Court pursuant to Bankruptcy Rule 3001, the holder of a Claim as of the Voting Record Date shall be entitled to cast the Ballot with respect to that Claim so long as the documentation evidencing such transfer was filed with the Court on or before twenty-one days prior to the Voting Record Date and no timely objection with respect to such transfer has been filed.

5. Solely for purposes of voting to accept or reject the Plan and not for the purposes of the allowance of or distribution on account of a Claim, each Claim within a Class of Claims entitled to vote to accept or reject the Plan is temporarily allowed in an amount equal to the amount of such Claim as set forth in the Schedules, subject to the following exceptions (unless expressly waived by the Debtor in writing):

- (i) If a Claim is deemed allowed under the Plan, such Claim shall be allowed for voting purposes in the deemed allowed amount set forth in the Plan;
- (ii) If a Proof of Claim was timely filed in an amount that is liquidated, non-contingent, and undisputed, such Claim shall be temporarily allowed in the amount set forth on the Proof of Claim;
- (iii) If a Claim for which a Proof of Claim has been timely filed is wholly contingent, unliquidated, disputed, unknown, or undetermined, such Claim shall be accorded one vote and valued at one dollar (\$1.00) for voting purposes only, and not for purposes of allowance or distribution, unless such Claim is subject to an objection or estimation motion; *provided, however,* that for the avoidance of doubt, Claims which are the subject of

pending prepetition litigation with the Debtor shall be considered wholly contingent;

- (iv) If a Claim has been estimated or otherwise allowed for voting purposes by order of the Court, such Claim shall be temporarily allowed in the amount so estimated or allowed by the Court for voting purposes only, and not for purposes of allowance or distribution;
- (v) If a Claim is listed in the Schedules as contingent, unliquidated, or disputed and a Proof of Claim was not filed by the applicable bar date for the filing of Proofs of Claims or deemed timely filed by an order of the Court entered prior to the Voting Deadline, such Claim shall be disallowed for purposes of voting, allowance, and distribution pursuant to Bankruptcy Rule 3003(c);
- (vi) If a Claim is listed on the Schedules or a timely filed Proof of Claim as contingent or unliquidated in part, such Claim shall be temporarily allowed in the amount that is liquidated and non-contingent for voting purposes only, and not for purposes of allowance or distribution, unless such Claim is subject to an objection or estimation motion;
- (vii) If, by the Voting Record Date, the Debtor has filed an objection or estimation motion as to a Claim, such Claim shall be temporarily disallowed for voting purposes only but not for purposes of allowance or distribution, except as ordered by the Court before the Voting Deadline; and
- (viii) Unless temporarily allowed for voting purposes by the Court, if a Proof of Claim asserts a Claim that is not in U.S. dollars, such Claim shall be treated as unliquidated and allowed for voting purposes only in the amount of one dollar (\$1.00).

6. Any creditor seeking to challenge the classification of its Claim or the disallowance of its Claim for voting purposes shall file with the Court a Bankruptcy Rule 3018(a) Motion and schedule a hearing in respect thereof with the Court. A Bankruptcy Rule 3018(a) Motion must: (i) be in writing; (ii) conform to the Bankruptcy Rules, the Local Rules, and the *Amended Notice, Case Management, and Administrative Procedures* approved by the Court [Docket No. 75]; (iii) state with particularity the legal and factual basis for the Bankruptcy Rule 3018(a) Motion; and (iv) be filed with the Court, together with a proof of service, and served, so as to be actually received before November 9, 2011 at 4:00 p.m. (prevailing Eastern

Time), upon the Court, counsel for the Debtor, counsel for the Committee, counsel for OCI, the U.S. Trustee, and all entities which have filed a written request for notice with the Court pursuant to Bankruptcy Rule 2002. Upon the filing of a Bankruptcy Rule 3018(a) Motion, such creditor's vote shall not be counted unless temporarily allowed by an order of the Court entered before the Voting Deadline.

Establishment of Voting Record Date

7. The Voting Record Date shall be October 5, 2011.

Solicitation Packages

8. The Solicitation Packages are approved.

9. By October 12, 2011 (the "Solicitation Deadline"), or as soon as practicable thereafter, the Debtor shall distribute or cause to be distributed Solicitation Packages, as described below, to all holders of Claims in the Voting Classes, all holders of Claims or Equity Interests in the Non-Voting Classes, the U.S. Trustee, counsel for the Committee, counsel for OCI, the Securities and Exchange Commission, and all other entities which have filed a written request for notice with the Court pursuant to Bankruptcy Rule 2002.

10. The Solicitation Packages for holders of Claims in the Voting Classes shall include (i) the Disclosure Statement Order (without exhibits), (ii) the Disclosure Statement, which shall include the Plan as an exhibit thereto, (iii) a customized Ballot, in the form described below, together with a return envelope, and (iv) the Confirmation Hearing Notice.

11. The Solicitation Packages for holders of Claims or Equity Interests in the Non-Voting Classes shall include (i) a Confirmation Hearing Notice and (ii) the applicable Notice of Non-Voting Status.

12. The Solicitation Packages for the U.S. Trustee, counsel for the Committee, counsel for OCI, the Securities and Exchange Commission, and all other entities which have filed a written request for notice with the Court pursuant to Bankruptcy Rule 2002 shall include (i) the Disclosure Statement Order (without exhibits), (ii) the Disclosure Statement, which shall include the Plan as an exhibit thereto, and (iii) the Confirmation Hearing Notice.

13. The Debtor may distribute Solicitation Packages in a CD-ROM format instead of printed copies; *provided, however*, that notwithstanding anything herein to the contrary, printed copies of the Ballot and the Confirmation Hearing Notice shall be distributed to holders of Claims in the Voting Classes. In addition, the Debtor shall provide printed copies of the Disclosure Statement and the Plan, at the Debtor's expense, to any party in interest that specifically requests such documents in accordance with the procedures specified in the Disclosure Statement Hearing Notice.

14. The Debtor is authorized to make non-substantive changes to the Disclosure Statement, the Plan, and related documents without further order of the Court prior to distributing the Solicitation Packages.

15. If, prior to the Solicitation Deadline, the Debtor cannot obtain accurate addresses for entities entitled to receive Solicitation Packages after having made a good faith effort to locate accurate addresses for such entities, the Debtor shall not be required to mail Solicitation Packages to such entities.

16. If the Debtor sends Solicitation Packages which are returned as undeliverable, and in good faith cannot obtain more current addresses for the relevant parties, the Debtor shall be excused from attempting to re-deliver such materials to such parties.



Form of Ballots and Notices of Non-Voting Status

17. The form of General Ballot, the form of Senior Noteholder Ballot, the form of Subordinated Noteholder Ballot, the form of Senior Noteholder Master Ballot, the form of Subordinated Noteholder Master Ballot, the form of Notice of Non-Voting Impaired Status, and the form of Notice of Non-Voting Unimpaired Status are approved.

18. The Debtor shall distribute or cause to be distributed General Ballots to holders of Class 3 General Unsecured Claims.

19. The Debtor shall distribute or cause to be distributed (i) Senior Noteholder Ballots and Senior Noteholder Master Ballots to the broker, bank, dealer, agent, or other nominee (the “Nominees”) of holders of Class 4 Senior Notes Claims as of the Voting Record Date, and (ii) Subordinated Noteholder Ballots and Subordinated Noteholder Master Ballots to the Nominees of holders of Class 5 Subordinated Notes Claims as of the Voting Record Date; *provided, however*, that each Nominee shall be entitled to receive a reasonably sufficient number of copies of Solicitation Packages to distribute to the Senior Noteholders and/or Subordinated Noteholders for whom such Nominee acts.

20. Within three days of its receipt of the Solicitation Packages, each Nominee shall forward a Solicitation Package to each Senior and/or Subordinated Noteholder for whom such Nominee acts with instructions for such Senior and/or Subordinated Noteholder to return its Noteholder Ballot(s) to the Nominee, which shall tabulate the Senior Noteholder Ballots received on a Senior Noteholder Master Ballot and the Subordinated Noteholder Ballots received on a Subordinated Noteholder Master Ballot. The Debtor shall reimburse each Nominee for its reasonable, necessary, and actual expenses associated with the distribution of the Solicitation Packages and the tabulation of the Noteholder Ballots.

### Voting Deadline and Vote Certification Deadline

21. The Voting Deadline is November 23, 2011 at 5:00 p.m. (prevailing Pacific Time). In order to be counted, each Ballot must be properly executed, completed, and delivered to the Voting Agent by first-class mail, overnight delivery, or personal delivery prior to the Voting Deadline (which, with respect to Master Ballots, means that Senior and Subordinated Noteholders must deliver their respective Noteholder Ballots to their respective Nominees with sufficient time for such Nominees to complete and deliver Master Ballots to the Voting Agent prior to the Voting Deadline).

22. The Debtor shall file its vote certification at least seven days before the date of the Confirmation Hearing.

### Ballot Tabulation Procedures

23. The following Ballot tabulation procedures are approved:

- (i) If a creditor casts more than one Ballot voting the same Claim(s) before the Voting Deadline, the last Ballot received before the Voting Deadline shall be deemed to reflect the voter's intent and supersede any prior Ballots.
- (ii) The following Ballots shall not be counted: (a) any Ballot that is properly completed, executed, and timely returned to the Voting Agent, but does not indicate either an acceptance or rejection of the Plan; (b) any Ballot submitted for which the holder of a Claim entitled to vote to accept or reject the Plan votes to both accept and reject the Plan; (c) in the absence of any extension of the Voting Deadline granted by the Debtor, any Ballot received after the Voting Deadline; (d) any Ballot that is illegible or contains insufficient information to permit the identification of the claimant; (e) any Ballot cast by a person or entity that does not hold a Claim that is entitled to vote to accept or reject the Plan; (f) any unsigned Ballot; or (g) any Ballot transmitted to the Voting Agent by fax, e-mail, other electronic means of transmission, unless otherwise agreed to by the Debtor.
- (iii) If a creditor that is entitled to vote has more than one Claim within the same Class based upon different transactions, said creditor shall be entitled to one vote for numerosity purposes in the aggregate dollar amount of all of said Claims.

- (iv) Notwithstanding anything to the contrary herein, any creditor that has scheduled, filed, or purchased duplicate Claims shall be provided with only one Solicitation Package and be permitted to vote only a single Claim for numerosity purposes in a dollar amount based upon its Claim, regardless of whether the Debtor has objected to such duplicate Claims.

24. The following additional procedures shall apply with respect to tabulating Master Ballots:

- (i) Votes cast by Senior and/or Subordinated Noteholders through Nominees shall be applied to the applicable positions held by such Nominees as of the Voting Record Date, as evidenced by the record and depository listings.
- (ii) If conflicting votes or “over-votes” are submitted by a Nominee, the Debtor shall use its reasonable efforts to reconcile discrepancies with the Nominee.
- (iii) If over-votes on a Master Ballot are not reconciled prior to the preparation of the vote certification, the Debtor shall apply the votes to accept and to reject the Plan in the same proportion as the votes to accept and to reject the Plan submitted on the Master Ballot that contained the over-vote, but only to the extent of the Nominee’s Voting Record Date position in the Senior and/or Subordinated Notes.
- (iv) For purposes of tabulating votes, each Senior Noteholder, Subordinated Noteholder, and Nominee shall be deemed to have voted the principal amount of its Senior and/or Subordinated Notes, although any principal amounts may be adjusted by the Voting Agent to reflect the amount of the Claim actually voted, including prepetition interest; and
- (v) A single Nominee may complete and deliver to the Voting Agent multiple Master Ballots. Votes reflected on multiple Master Ballots shall be counted, except to the extent that they are duplicative of another Master Ballot. If two or more Master Ballots are inconsistent, the latest dated validly executed Master Ballot received prior to the Voting Deadline shall, to the extent of such inconsistency, supersede, and revoke any prior Master Ballot.

25. The Voting Agent is authorized to contact parties that submit incomplete or otherwise deficient Ballots in order to cure such deficiencies. The Debtor may waive any such deficiencies in its discretion and without further order of the Court.

Appointment of KCC as the Debtor's Voting Agent

26. KCC is hereby authorized and directed to perform all tasks relating to the solicitation of votes and the performance of related services, as appropriate, including noticing, balloting, and tabulation services, in furtherance of confirmation of a chapter 11 plan, upon the terms set forth in the KCC Retention Order and the KCC Agreement, and KCC shall not be required to file a formal fee application.

Confirmation Hearing and Notice and Objection Procedures

27. The Confirmation Hearing is scheduled for December 8, 2011 at 10:00 a.m. (prevailing Eastern Time); *provided, however*, that the Confirmation Hearing may be adjourned from time to time by the Debtor without further notice other than an adjournment being announced in open Court or by a notice of adjournment filed with the Court.

28. The form of Confirmation Hearing Notice is approved.

29. Objections, if any, to confirmation of the Plan, must: (i) be in writing; (ii) conform to the Bankruptcy Rules, the Local Rules, and the *Amended Notice, Case Management, and Administrative Procedures* approved by the Court [Docket No. 75]; (iii) state with particularity the legal and factual basis for the objection; and (iv) be filed with the Court, together with a proof of service, and served, so as to be actually received before November 23, 2011 at 4:00 p.m. (prevailing Eastern Time), upon the Court, counsel for the Debtor, counsel for the Committee, counsel for OCI, the U.S. Trustee, and all entities which have filed a written request for notice with the Court pursuant to Bankruptcy Rule 2002. In the event one or more objections to confirmation of the Plan are filed, the Debtor may file a single, omnibus reply to such objections before December 2, 2011 at 4:00 p.m. (prevailing Eastern Time).

30. The Debtor shall publish the Confirmation Hearing Notice, modified as necessary, in the national edition of the Wall Street Journal within seven days of entry of the Disclosure Statement Order or as soon as practicable thereafter.

31. This Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, and/or enforcement of this Disclosure Statement Order.

Dated: October 5, 2011  
New York, New York

/s/ Shelley C. Chapman  
THE HONORABLE SHELLEY C. CHAPMAN  
UNITED STATES BANKRUPTCY JUDGE