

BERNSTEIN LITOWITZ BERGER & GROSSMANN LLP

Steven B. Singer  
steven@blbglaw.com

1285 Avenue of the Americas  
New York, New York 10019  
Tel: (212) 554-1400  
Fax: (212) 554-1444

KAPLAN FOX & KILSHEIMER LLP

Frederic S. Fox  
ffox@kaplanfox.com

850 Third Avenue, 14<sup>th</sup> floor  
New York, New York 10022  
Tel: (212) 687-1980  
Fax: (212) 687-7714

GARDY & NOTIS, L.L.P.

James S. Notis  
jnotis@gardylaw.com

560 Sylvan Avenue  
Englewood Cliffs, New Jersey 07632  
Tel: 201-567-7377  
Fax: 201-567-7337

WACHTELL, LIPTON, ROSEN & KATZ

Peter C. Hein  
pchein@wlrk.com

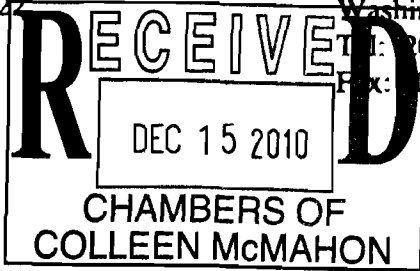
51 W. 52nd Street  
New York, New York 10019  
Tel: 212-403-1000  
Fax: 212-403-2000

PAUL, WEISS, RIFKIND, WHARTON & GARRISON

Charles E. Davidow  
cdavidow@paulweiss.com

2001 K Street, NW  
Washington, D.C. 20006  
Tel: 202-223-7300  
Fax: 202-223-7420

USDS SINY  
DOCUMENT  
ELECTRONICALLY FILED  
DOC #:  
DATE FILED: 12/16/10



*I will cede +  
Judge Buchwald  
indeed I  
must cede  
+*

MEMO ENDORSED December 15, 2010

BY HAND

Hon. Naomi Reice Buchwald  
United States District Judge  
Daniel Patrick Moynihan U.S. Courthouse  
500 Pearl Street  
New York, New York 10007-1312

BY FAX

Hon. Colleen McMahon  
United States District Judge  
Daniel Patrick Moynihan U.S. Courthouse  
500 Pearl Street  
New York, New York 10007-1312

*Judge Buchwald  
Colleen McMahon  
12/15/10*

Re: *In re Ambac Financial Group, Inc. Securities Litigation,*  
No. 08 CV 411 (NRB) and *Tolin v. Ambac*, No. 08 CV 11241 (CM)

Dear Judge Buchwald and Judge McMahon:

Between our firms, we represent all of the parties involved in the above-captioned actions. We are writing both in regard to the consolidated securities class action currently pending before Judge Buchwald brought on behalf of purchasers of Ambac Financial Group, Inc. ("Ambac") securities, and in regard to the *Tolin v. Ambac* securities class action brought on

Hon. Naomi Reice Buchwald and Hon. Colleen McMahon  
December 15, 2010  
Page 2

behalf of purchasers of Structured Repackaged Asset-Backed Trust Securities, Callable Class A Certificates, Series 2007-1, STRATS(SM) Trust for Ambac Financial Group, Inc. Securities, Series 2007-1 (the "STRATS").

The parties have now executed Memoranda of Understanding ("MOUs") and pursuant to the terms of those MOUs are now working on drafting a stipulation of settlement, a motion for certification of a class for settlement purposes, and a motion for preliminary approval of the settlement. The parties are working with the goal of submitting such papers to the Court in January.

As we stated in our last letter (dated November 18, 2010) to Your Honors, the settlement between plaintiffs, Ambac and the individual defendants contemplates that the purchasers of the STRATS (the plaintiff class in *Tolin v. Ambac*) will be part of an expanded settlement class in the prior, broader securities class action pending before Judge Buchwald. Plaintiffs' MOU with Ambac and the individual defendants contemplates that upon final approval of the settlement of the securities class action pending before Judge Buchwald, the parties to *Tolin v. Ambac* will submit to the court a signed stipulation of dismissal with prejudice in the *Tolin* action, reciting that the claims of the members of the putative class in *Tolin* were included within the settlement class in, and resolved as part of the settlement approved in, the securities class action pending before Judge Buchwald.

In light of this settlement structure, plaintiffs, Ambac and the individual defendants respectfully suggest and request that all proceedings with respect to approval of the settlement occur before Judge Buchwald, instead of requiring the parties to undertake separate, parallel proceedings before both of Your Honors. Plaintiffs, Ambac and the individual defendants believe that structuring the settlement and the approval process in this fashion represents the most efficient means of achieving judicial oversight of the settlement and presents the most equitable resolution of the claims involved in light of the limited monies available to fund a settlement following Ambac's filing for bankruptcy.

Finally, as we also stated in our November 18, 2010 letter to Your Honors, Ambac filed for bankruptcy under Chapter 11 last month and plaintiffs' MOU with Ambac and the individual defendants contemplates that certain aspects of the settlement of the litigations before Your Honors will require bankruptcy court approval.


All of these matters will be dealt with in further detail in the parties' forthcoming papers.

Hon. Naomi Reice Buchwald and Hon. Colleen McMahon  
December 15, 2010  
Page 3

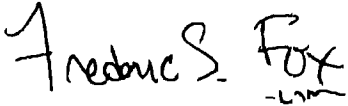
Very respectfully submitted,

  
Steven B. Singer  
BERNSTEIN LITOWITZ BERGER & GROSSMANN LLP

*Attorneys for Lead Plaintiffs in In re Ambac  
Financial Group, Inc. Securities Litigation*

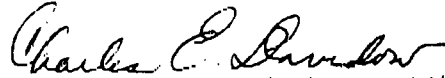
  
Peter C. Hein  
WACHTELL, LIPTON, ROSEN & KATZ

*Attorneys for Ambac and the Individual  
Defendants in In re Ambac Financial Group,  
Inc. Securities Litigation and Tolin v. Ambac*



Frederic S. Fox  
KAPLAN FOX & KILSHEIMER LLP

*Attorneys for Lead Plaintiffs in In re Ambac  
Financial Group, Inc. Securities Litigation*

  
- by LLW per 12.14.10 email

Charles E. Davidow  
PAUL, WEISS, RIFKIND, WHARTON & GARRISON

*Attorneys for Underwriter Defendants in In re  
Ambac Financial Group, Inc. Securities  
Litigation*

James S. Notis  
GARDY & NOTIS, LLP

*Attorneys for Plaintiffs in Tolin v. Ambac*

Hon. Naomi Reice Buchwald and Hon. Colleen McMahon  
December 15, 2010  
Page 3

Very respectfully submitted,

Steven B. Singer  
BERNSTEIN LITOWITZ BERGER & GROSSMANN LLP

*Attorneys for Lead Plaintiffs in In re Ambac  
Financial Group, Inc. Securities Litigation*

Peter C. Hein  
WACHTELL, LIPTON, ROSEN & KATZ

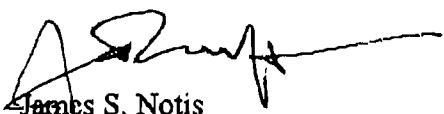
*Attorneys for Ambac and the Individual  
Defendants in In re Ambac Financial Group,  
Inc. Securities Litigation and Tolin v. Ambac*

Frederic S. Fox  
KAPLAN FOX & KILSHEIMER LLP

*Attorneys for Lead Plaintiffs in In re Ambac  
Financial Group, Inc. Securities Litigation*

Charles E. Davidow  
PAUL, WEISS, RIFKIND, WHARTON & GARRISON

*Attorneys for Underwriter Defendants in In re  
Ambac Financial Group, Inc. Securities  
Litigation*



James S. Notis  
GARDY & NOTIS, LLP

*Attorneys for Plaintiffs in Tolin v. Ambac*