

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

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)
In re:) Case No. 12-12020 (MG)
)
RESIDENTIAL CAPITAL, LLC, et al.,) Chapter 11
)
Debtors.) Jointly Administered
)
)
----- x

**DECLARATION OF HOWARD F. SIDMAN IN SUPPORT OF
FINANCIAL GUARANTY INSURANCE COMPANY’S REPLY IN SUPPORT OF
DEBTORS’ MOTION PURSUANT TO FED. R. BANKR. P. 9019 FOR APPROVAL OF
SETTLEMENT AGREEMENT AMONG THE DEBTORS, FGIC, THE FGIC
TRUSTEES AND CERTAIN INDIVIDUAL INVESTORS**

I, Howard F. Sidman, make this declaration based on my personal knowledge and pursuant to 28 U.S.C. § 1746. I hereby state as follows:

1. I am a Partner of the law firm Jones Day, and I am admitted in the state of New York. I respectfully submit this declaration in support of Financial Guaranty Insurance Company Reply in Support Of Debtors’ Motion Pursuant To Fed. R. Bankr. P. 9019 For Approval of Settlement Agreement Among The Debtors, FGIC, the FGIC Trustees and Certain Individual Investors (the “Reply”) and for the purpose of introducing copies of documents that may be considered in connection with the Reply.¹

2. Attached hereto as Exhibit 1 is a true and correct copy of the First Amended Plan of Rehabilitation for Financial Guaranty Insurance Company, dated June 4, 2013, which is appended as Exhibit 1 to the June 11, 2013 Plan Approval Order issued by the Hon. Doris Ling-Cohan, J.S.C. in *In re Rehabilitation of FGIC*, Case No. 401265/2012 (N.Y. Supreme Court).

¹ Capitalized terms used but not defined herein shall have the same meaning ascribed to them in the Reply.

3. Attached hereto as Exhibit 2 is a true and correct copy of the document bearing Bates numbers MONARCH 000000001 – MONARCH 000000011, a letter to Marc Abrams, Esq. from Lorenzo Marinuzzi, Esq., dated May 2, 2013, re: *In re Residential Capital, LLC*, Case No. 12-12020 (MG): Confidentiality Agreement. [CONFIDENTIAL: Filed Under Seal.]

4. Attached hereto as Exhibit 3 is a true and correct copy of the Declaration of Scott R. Gibson, dated July 19, 2013. [CONFIDENTIAL: Filed Under Seal.]

5. Attached hereto as Exhibit 4 is a true and correct copy of the Expert Report of Charles R. Goldstein, dated July 19, 2013. [CONFIDENTIAL: Filed Under Seal.]

6. Attached hereto as Exhibit 5 is a true and correct copy of the Expert Report of Allen M. Pfeiffer, dated July 19, 2013. [CONFIDENTIAL: Filed Under Seal.]

7. Attached hereto as Exhibit 6 is a true and correct copy of the Indenture executed in connection with the GMACM 2006-HE3 Transaction.

8. Attached hereto as Exhibit 7 is a true and correct copy of a chart reflecting FGIC's Top Fifty U.S. Public Finance Exposures.

9. Attached hereto as Exhibit 8 is a true and correct copy of the July 31, 2013 Order Denying Motions to Intervene and Conduct Discovery, issued by The Hon. Doris Ling-Cohan, J.S.C. in *In re Rehabilitation of FGIC*, Case No. 401265/2012 (N.Y. Supreme Court).

10. Attached hereto as Exhibit 9 is a true and correct copy of a chart reflecting the 29 separate pleadings in this proceeding that reference, discuss or otherwise address the mediation.

11. Attached hereto as Exhibit 10 is a true and correct copy of a chart reflecting the various publications that reference the mediation proceedings between December 2012 and May 2013.

12. Attached hereto as Exhibit 11 is a true and correct copy of the Reuter's article *Brief—ResCap Examiner Delays Report to May 13, Amid Progress in Mediation*, authored by Tom Hals and dated May 10, 2013.

13. Attached hereto as Exhibit 12 is a true and correct copy of excerpts of the transcript of the deposition of John S. Dubel, conducted on July 10, 2013. [CONFIDENTIAL: Filed Under Seal.]

14. Attached hereto as Exhibit 13 is a true and correct copy of excerpts of the transcript of the deposition of Gina Healy, conducted on July 17, 2013. [CONFIDENTIAL: Filed Under Seal.]

15. Attached hereto as Exhibit 14 is a true and correct copy of a printout of the website with the URL "<http://www.fgicrehabilitation.com/docs.php>."

Executed on August 2, 2013

/s/ Howard F. Sidman

Howard F. Sidman

Sidman Declaration Exhibit # 1

**SUPREME COURT OF THE STATE OF NEW YORK
NEW YORK COUNTY**

PRESENT: HON. DORIS LING-COHAN
Justice

PART 36

*In the Matter of the Rehabilitation of
Financial Guaranty Insurance Company.*

INDEX NO. 401265/12
MOTION DATE _____
MOTION SEQ. NO. 004

The following papers, numbered 1 to 11, were read on this motion ~~for~~ approval of plan of rehabilitation

Notice of Motion/Order to Show Cause — Affidavits — Exhibits _____ **No(s).** 1, 2, 3

Answering Affidavits — Exhibits (miscellaneous papers) _____ **No(s).** 4, 5, 6, 7, 8, 9, 10, 11

Replying Affidavits _____ **No(s).** _____

Upon the foregoing papers, it is ordered that this motion is granted, as per the attached Plan Approval Order, dated June 11, 2013, after hearing held on June 11, 2013.

MOTION/CASE IS RESPECTFULLY REFERRED TO JUSTICE
FOR THE FOLLOWING REASON(S):

FILED
JUN 13 2013
NEW YORK
COUNTY CLERK'S OFFICE

Dated: 6/11/13


_____, J.S.C.
HON. DORIS LING-COHAN

- 1. CHECK ONE: CASE DISPOSED NON-FINAL DISPOSITION
- 2. CHECK AS APPROPRIATE:MOTION IS: GRANTED DENIED GRANTED IN PART OTHER
- 3. CHECK IF APPROPRIATE: SETTLE ORDER SUBMIT ORDER
- DO NOT POST FIDUCIARY APPOINTMENT REFERENCE

AT IAS PART 36 OF THE SUPREME COURT
OF THE STATE OF NEW YORK, COUNTY OF
NEW YORK, AT THE COURTHOUSE,
60 CENTRE STREET, IN THE COUNTY, CITY
AND STATE OF NEW YORK, ON THE 11 DAY
OF June, 2013

PRESENT:

HON. DORIS LING COHAN, J.S.C.

~~HON. DORIS LING COHAN~~

Index No. 401265/2012

In the Matter of the Rehabilitation of
FINANCIAL GUARANTY INSURANCE
COMPANY.

FILED PLAN APPROVAL ORDER

Motion Sequence No. 4

JUN 13 2013

NEW YORK
COUNTY CLERKS OFFICE

Upon full consideration of the record of the above-captioned rehabilitation proceeding (the "Rehabilitation Proceeding"), including (i) the affirmation (the "Affirmation") of Gary T. Holtzer of Weil, Gotshal & Manges LLP, attorneys for Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York (the "Superintendent"), as the court-appointed rehabilitator (the "Rehabilitator") of Financial Guaranty Insurance Company ("FGIC"), dated September 27, 2012, in support of the Rehabilitator's motion for an order pursuant to Sections 7403(a) and 7403(d) of the New York Insurance Law (the "NYIL") (a) approving the proposed First Amended Plan of Rehabilitation for FGIC, dated June 4, 2013, attached hereto as Exhibit 1, together with all exhibits and the Plan Supplement¹ thereto (collectively, the "Plan"), including approving the Novation Agreement and consummation of the transactions contemplated thereby and (b) terminating the Rehabilitation Proceeding upon the effective date of the Plan (the "Effective Date"); (ii) the exhibits attached to the Affirmation, including the Disclosure Statement for the Plan (the "Disclosure Statement"); (iii) the Memorandum of Law in Support of Approval of the Plan (the "Memorandum"); (iv) the

¹ Capitalized terms not defined herein have the meanings ascribed to them in the Plan.

Affidavit of Michael W. Miller in Further Support of the Plan, dated December 12, 2012 (the "**Lazard Affidavit**"); (v) the Affidavit of John S. Dubel in Further Support of the Plan, dated December 12, 2012 (the "**Dubel Affidavit**"); (vi) the letter setting forth the standard for approval of the Plan, dated January 22, 2013 (the "**Standard Letter**"); (vii) the order dated January 24, 2013, as amended on January 29, 2013, finding (a) a lack of sufficient evidence in the submissions to raise a material question of fact and (b) that the need for an evidentiary hearing had not been established (the "**January Order**"); (viii) the Amended Omnibus Reply Memorandum of Law in Further Support of Approval of the Plan, dated January 25, 2013, including the cover letter attached thereto, and the amended Omnibus Response Chart attached as Exhibit 1B thereto (the "**Amended Reply**"); (ix) the letter setting forth the remaining issues, dated February 11, 2013, including the further amended Omnibus Response Chart attached as Exhibit 1C thereto (the "**February 11 Letter**"); (x) the letter advising the Court that no party served an objection to the Plan Revisions (as defined in the Court's interim order dated February 19, 2013 (the "**Scheduling Order**")) and that each of the Trustees (defined below) filed notices withdrawing each of their objections to the Plan, dated April 12, 2013 (the "**April 12 Letter**"); (xi) the letter advising the Court of (a) the termination agreement and deed of release to be entered into by and among FGIC, Childrens Health Partnership Holdings Pty Ltd ("**CHP**") and certain related parties and (b) CHP's intention to withdraw its objections to the Plan, dated April 16, 2013 (the "**April 16 Letter**"); (xii) the notices of withdrawal of objections to the Plan filed by (a) Jefferson County Alabama, dated November 30, 2012, (b) Assured Guaranty Corp., Assured Guaranty Re Ltd. and Assured Guaranty Re Overseas Ltd, dated December 12, 2012, (c) Deutsche Bank National Trust Company and Deutsche Bank Trust Company Americas, dated April 12, 2013, (d) Wells Fargo, N.A., dated April 12, 2013, (e) U.S. Bank National Association

and U.S. Bank Trust National Association, dated April 12, 2013, (f) The Bank of New York Mellon and The Bank of New York Mellon Trust Company, N.A., dated April 12, 2013, (g) CHP, dated April 25, 2013, (h) certain holders of sewer warrants issued by Jefferson County, Alabama, dated May 31, 2013, (i) Aurelius Capital Management, LP, dated June 4, 2013 and (j) CQS ABS Master Fund Ltd., CQS Select ABS Master Fund Ltd and CQS ABS Alpha Master Fund Ltd., dated June 4, 2013 (collectively, the "Notices of Withdrawal"), (xiii) the letter advising the Court that all remaining objections to the Plan have been resolved, dated June 4, 2013 (the "June 4 Letter"); and (xiv) the presentation at the hearing held on June 11, 2013 to consider approval of the Plan (the "Plan Approval Hearing");

And upon reading and signing the order to show cause dated September 28, 2012 and the Scheduling Order;

And all objections to the Plan having been withdrawn;

And the Court having held the Plan Approval Hearing; and due and proper notice of the Plan Approval Hearing having been provided as required by the order dated April 23, 2013, and no further notice being necessary;

This Court finds that:

- a. The legal and factual bases set forth in the Affirmation and the exhibits thereto, the Plan, the Disclosure Statement, the Memorandum, the Lazard Affidavit, the Dubel Affidavit, the Standard Letter, the January Order, the Amended Reply, the February 11 Letter, the April 12 Letter, the April 16 Letter, the Notices of Withdrawal, the June 4 Letter and the presentation at the Plan Approval Hearing, establish just and sufficient cause to grant the relief requested;
- b. The relief requested is in the best interests of, and fair and equitable to, all of FGIC's Policyholders, creditors and other claimants;
- c. The relief requested provides Policyholders, creditors and other claimants at least what they would expect to have received had FGIC been subject to a liquidation pursuant to Article 74 of the NYIL;

- d. U.S. Bank National Bank Association and U.S. Bank Trust National Association, The Bank of New York Mellon and The Bank of New York Mellon Trust Company, N.A., Deutsche Bank National Trust Company and Deutsche Bank Trust Company Americas and Wells Fargo Bank, N.A., each in its capacity as trustee of various trusts (collectively, the "**Trustees**") filed objections to the Plan of Rehabilitation for FGIC dated September 27, 2012 and the First Amended Plan of Rehabilitation for FGIC dated December 12, 2012. The Rehabilitator revised the Plan to address the Trustees' concerns and the Trustees withdrew their objections to approval of the Plan, as revised and set forth in the amended version of the First Amended Plan of Rehabilitation for FGIC. The Court finds that the Trustees' withdrawal of objections to approval of the Plan, as revised, shall not be construed as consent by the Trustees to the First Amended Plan of Rehabilitation for FGIC or to any modification to the Transaction Documents effected by the provisions of such Plan. The Court finds that the Trustees have acted reasonably and in good faith in making and withdrawing the objections, and the Trustees have not acted negligently in performing their duties in respect of the objections; and
- e. Based upon information available to FGIC as of the date hereof, FGIC has determined that it shall not take any action to offset, recoup or otherwise recover any Pre-Rehabilitation FGIC Premiums, Expenses and Recoveries that have not been paid to FGIC but instead have been or shall be applied by the Trustees to reduce the amount of Policy Claims ("**Unpaid Pre-Rehabilitation Amounts**"), other than with respect to up to approximately \$5 million owed with respect to the IMM 2004-10 1A1/Impac 2004-10 transaction (the "**Impac Transaction**"), with respect to which FGIC reserves all rights. FGIC represents that it has reviewed all information concerning Unpaid Pre-Rehabilitation Amounts that has been made available to it to date.

NOW, on motion of the Rehabilitator, it is ORDERED as follows:

1. To the extent not already granted by prior order of this Court, the relief requested, as set forth in the Affirmation, is granted;
2. The Plan is approved and its implementation authorized;
3. The form of amended and restated charter and the form of amended and restated by-laws, each filed as part of the Plan Supplement, are approved and shall constitute the charter and by-laws, respectively, of FGIC as of the Effective Date;
4. The Novation Agreement, including consummation of the transactions contemplated thereby, is approved. The Rehabilitator and (with respect to the period from and after the Effective Date) FGIC are authorized and empowered to consummate the transactions contemplated by the Novation

Agreement as of the Effective Date (or such other date for consummation of such transactions as may be set forth in such agreement); *provided, however,* that should the Rehabilitator waive the condition to the Effective Date that this Order becomes a Final Order, consummation of the transactions contemplated by the Novation Agreement shall not occur until the earlier of (i) this Order becoming a Final Order or (ii) FGIC waiving the requirement that this Order be a Final Order with respect to such agreement;

5. Upon the Novation Effective Date (as defined in the Novation Agreement), the Covered Policies, the Covered Policy Rights and the Covered Policy Liabilities (each as defined in the Novation Agreement) shall be legally novated from FGIC to National Public Finance Guarantee Corporation in accordance with the terms and conditions of the Novation Agreement;
6. An initial CPP of 17.25% is approved, subject to adjustment by the Rehabilitator in his sole discretion on or before the Effective Date;
7. FGIC shall not take any action to offset, recoup or otherwise recover any Unpaid Pre-Rehabilitation Amounts, including challenging the propriety of any Unpaid Pre-Rehabilitation Amount *per se* except (i) with respect to the Impac Transaction and (ii) in the event that FGIC receives any additional information from the Trustees, servicers or calculation agents of relevance to the calculation of any Unpaid Pre-Rehabilitation Amounts or FGIC otherwise discovers that information previously provided by the Trustees, servicers or calculation agents regarding such amounts was incorrect. Any potential action by FGIC to offset, recoup or otherwise recover any unpaid Pre-Rehabilitation Amounts based on clause (ii) of the preceding sentence shall be limited to the amount of the potential Unpaid Pre-Rehabilitation Amounts determined by giving effect to such additional or corrected information;
8. Pursuant to Section 7403(d) of the NYIL, on the Effective Date, the Rehabilitation Proceeding shall terminate without further order of this Court and the Superintendent shall be discharged from his duties as the Rehabilitator. The Rehabilitator's employees and agents shall be discharged of their duties with respect to all matters related to the Rehabilitation of FGIC and the Rehabilitator, the NYLB and each of their respective employees, attorneys, agents, advisors and representatives shall have no liability for actions taken by FGIC after the Effective Date;
9. Pursuant to Section 7403(d) of the NYIL, on the Effective Date, FGIC shall resume possession of its property and the conduct of its business, subject to the limitations described in the Plan;

10. The Rehabilitator shall serve notice of this Order by (i) publishing notice substantially in the form of the Notice of Plan Approval Order attached hereto as **Exhibit 2** (the "**Plan Approval Notice**") in The Wall Street Journal and The Bond Buyer within ten (10) Business Days after receiving an entered copy of this Order, (ii) mailing the Plan Approval Notice to all known Policyholders and other claimants by first class mail within five (5) Business Days after receiving an entered copy of this Order and (iii) posting true copies of this Order and the Plan Approval Notice at <http://www.fgicrehabilitation.com> within five (5) Business Days after receiving an entered copy of this Order, and such service shall be deemed good and sufficient service;
11. From and after the Effective Date, this Order, including the terms of the Plan attached hereto as **Exhibit 1**, shall supersede the Order of Rehabilitation and the Order to Show Cause, both of which shall remain in effect with respect to their respective periods prior to the Effective Date; and
12. This Court shall retain exclusive jurisdiction to hear and determine all matters arising out of, or related to, the implementation, interpretation and/or enforcement of this Order, the Rehabilitation Proceeding and other matters as set forth in the Plan.

E N T E R

[Handwritten Signature] 6/11/13
JUSTICE ISORIS LING-COHAN

FILED
JUN 13 2013
NEW YORK
COUNTY CLERK'S OFFICE

Exhibit 1

Plan

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

----- X	:	Index No. 401265/2012
In the Matter of the Rehabilitation of	:	
FINANCIAL GUARANTY INSURANCE	:	
COMPANY.	:	FIRST AMENDED PLAN OF
	:	REHABILITATION FOR
----- X	:	FINANCIAL GUARANTY
	:	<u>INSURANCE COMPANY</u>

This Plan of Rehabilitation is proposed pursuant to Article 74 of Chapter 28 of the Consolidated Laws of the State of New York by Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York, as Rehabilitator of Financial Guaranty Insurance Company.

Weil, Gotshal & Manges LLP
Gary T. Holtzer
Joseph T. Verdesca
767 Fifth Avenue
New York, NY 10153

*Attorneys for the Superintendent of Financial
Services of the State of New York, as Rehabilitator
of Financial Guaranty Insurance Company*

Date: June 4, 2013

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ARTICLE I.

CATEGORIES OF CLAIMS AND EQUITY INTERESTS

1.1 Categories of Claims and Equity Interests.

The following table designates the categories of Claims and Equity Interests that are covered by the Plan:

Category	Designation
A	Secured Claims
B	Administrative Expense Claims
C	Policy Claims
D	Non-Policy Claims
E	Late-Filed Claims
F	Equity Interests

Other than Claims (including Policy Claims) paid in full prior to the date of the Order of Rehabilitation, the Plan will be the exclusive means for resolving and paying (i) all Policy Claims, whenever arising, (ii) all other Claims arising during, or relating to, the period prior to the Effective Date and (iii) all Equity Interests in existence as of the date of the Order of Rehabilitation. Claims arising during or relating to the period on and after the Effective Date (other than Policy Claims) are not covered by the Plan and will be resolved and paid by FGIC in the ordinary course of business.

ARTICLE II.

TREATMENT OF CLAIMS AND EQUITY INTERESTS

2.1 Category A – Secured Claims.

Except to the extent the holder of a Permitted Secured Claim and FGIC agree to a different treatment pursuant to Section 4.8 hereof, all Permitted Secured Claims shall be paid in full solely from the collateral securing such Claims in accordance with the terms of the underlying FGIC Contract giving rise to such Claims.

2.2 Category B – Administrative Expense Claims.

Except to the extent the holder of a Permitted Administrative Expense Claim and FGIC agree to a different treatment pursuant to Section 4.8 hereof, each holder of a Permitted Administrative Expense Claim shall receive Cash in the full amount of such Permitted Administrative Expense Claim.

2.3 Category C – Policy Claims.

Except to the extent the holder of a Permitted Policy Claim and FGIC agree to a different treatment pursuant to Section 4.8 hereof, each holder of a Permitted Policy Claim shall receive only (i) an upfront Cash payment with respect to each such Permitted Policy Claim in an amount equal to a specified percentage of such Permitted Policy Claim based on the CPP in effect at the time of payment and (ii) additional payments under a DPO with respect to the Policy under which such Permitted Policy Claim was made to the extent payable pursuant to the Plan, which DPO will be equal to the remainder of such Permitted Policy Claim (subject to increases and reductions to such DPO pursuant to the Plan).

2.4 Category D – Non-Policy Claims.

Except to the extent the holder of a Permitted Non-Policy Claim and FGIC agree to a different treatment pursuant to Section 4.8 hereof, each holder of a Permitted Non-Policy Claim shall receive, on a pro rata basis, Cash, as and when such funds become available, as determined by FGIC, until all such Claims have been paid in full; *provided, however*, that no Permitted Non-Policy Claims shall be entitled to any distributions until all actual and expected Permitted Secured Claims, Permitted Administrative Expense Claims and Permitted Policy Claims are paid in full in Cash or fully reserved for, as determined by FGIC with the express written consent of the NYSDFS.

2.5 Category E – Late-Filed Claims.

Except to the extent the holder of a Permitted Late-Filed Claim and FGIC agree to a different treatment pursuant to Section 4.8 hereof, each holder of a Permitted Late-Filed Claim shall receive, on a pro rata basis, Cash, as and when such funds become available, as determined by FGIC, until all such Claims have been paid in full; *provided, however*, that no Permitted Late-Filed Claims shall be entitled to any distributions until all actual and expected Permitted Secured Claims, Permitted Administrative Expense Claims, Permitted Policy Claims and Permitted Non-Policy Claims are paid in full in Cash or fully reserved for, as determined by FGIC with the express written consent of the NYSDFS.

2.6 Category F – Equity Interests.

Equity Interests shall remain in existence; *provided, however*, that no holder of Equity Interests shall be entitled to any distributions, dividends or other payments on account of its Equity Interests until all actual and expected Permitted Secured Claims, Permitted Administrative Expense Claims, Permitted Policy Claims, Permitted Non-Policy Claims and Permitted Late-Filed Claims are paid in full in Cash or fully reserved for, as determined by FGIC with the express written consent of the NYSDFS.

ARTICLE III.

MEANS OF IMPLEMENTATION

3.1 Policy Restructuring.

Effective as of the Effective Date, any and all Policies in force as of the Effective Date (except for the Policies novated or terminated by the Novation Agreement or the CDS Commutation Agreements) automatically and without any further actions by the Rehabilitator, FGIC, the Superintendent, the Court, the Policyholders or any other Person shall be modified by the Plan. The Plan shall supersede any and all provisions of each Policy that are inconsistent with the Plan.

3.2 Implementation of Plan by FGIC.

FGIC shall continue to exist after the Effective Date with all powers available under applicable law and shall be responsible for administration and implementation of the Plan from and after the Effective Date, in each case pursuant to the terms of and subject to the limitations set forth in the Plan, including all applicable New York insurance laws and regulations, the continued oversight of the NYSDFS described in Sections 7.10 and 7.11 hereof and any NYSDFS Guidelines.

3.3 Continued Authority of NYSDFS.

From and after the Effective Date (i) FGIC shall continue to be subject to oversight by the NYSDFS pursuant to the NYIL as an insurance company licensed under Article 69 of the NYIL and the additional requirements set forth in the Plan and (ii) the NYSDFS shall have the authority to take such further actions as may be necessary or appropriate in its sole and absolute discretion to carry out the purposes and effects of the Plan, including modifying the Run-Off Principles, which modification shall be delivered in writing to FGIC and concurrently posted by FGIC on the Policyholder Information Center. All NYSDFS Guidelines shall be binding unless and to the extent the NYSDFS Guidelines are (x) revoked, withdrawn or inconsistent with subsequent guidance provided by the NYSDFS or (y) inconsistent with the Plan or any Final Order entered in the Rehabilitation Proceeding that has not been superseded by the Plan.

3.4 Authorization to Act.

The Plan Approval Order shall authorize FGIC from and after the Effective Date to take or cause to be taken all actions necessary or appropriate to implement the Plan, including executing and delivering all agreements, documents, instruments, notices and certificates, and such actions taken or caused to be taken shall be deemed approved by the Court without further approval, act or action under any applicable law, order, rule or regulation.

3.5 No Defaults Arising from Rehabilitation or Rehabilitation Circumstances.

(a) Subject to Section 3.7 of the Plan, and except as part of a transaction subject to Section 4.8 hereof or as may be ordered or approved by the Court, from and after the date of the Order of Rehabilitation, any default, event of default or other event or circumstance relating to

the FGIC Parties then existing (or that would exist with the passing of time or the giving of notice or both) under any FGIC Contract or Transaction Document, as a result of (whether directly or indirectly) the Rehabilitation or the Rehabilitation Circumstances shall be deemed to be cured and not to have occurred (including, for the avoidance of doubt, any default, event of default or other event or circumstance that has arisen (or that may otherwise arise with the passing of time or the giving of notice or both) due to a lack of payment or performance of or by the FGIC Parties under any FGIC Contract or Transaction Document).

(b) Neither the Rehabilitation nor the Rehabilitation Circumstances shall (i) subject to Section 3.7 of the Plan, prevent the FGIC Parties from exercising all FGIC Rights in the same manner and to the same extent as FGIC Parties would have been able to retain and exercise such rights in the absence of the Rehabilitation and the Rehabilitation Circumstances, (ii) prevent FGIC from pursuing or settling on its own behalf, for its own account and in its sole discretion all FGIC Direct Claims in the same manner and to the same extent as FGIC would have been able to retain and pursue or settle such FGIC Direct Claims on its own behalf in the absence of the Rehabilitation and the Rehabilitation Circumstances, (iii) subject to Section 3.7 of the Plan and the proviso at the end of this paragraph, cause to inure to any Person any greater right or Claim than that which would have existed in the absence of the Rehabilitation and the Rehabilitation Circumstances or (iv) subject to Sections 3.7(a)(iii) and 3.7(b)(iv) of the Plan and the proviso at the end of the paragraph, in any manner relieve or limit any obligation of any Person to the FGIC Parties, including for payment of premiums, recoveries, reimbursements, settlements and other amounts that would otherwise be due and owing to the FGIC Parties under any FGIC Contract, Transaction Document or other agreement in the absence of the Rehabilitation and the Rehabilitation Circumstances; *provided, however*, that notwithstanding anything to the contrary in this Section 3.5, nothing in the Plan shall prohibit any Person who, prior to the date of the Order of Rehabilitation, failed to pay FGIC any Pre-Rehabilitation FGIC Premiums, Expenses, and Recoveries relating to a Policy from properly exercising or having properly exercised a right of setoff or recoupment with respect to a Claim under such Policy arising prior to the date of the Order of Rehabilitation held by such Person against such unpaid Pre-Rehabilitation FGIC Premiums, Expenses, and Recoveries.

(c) In certain RMBS transactions in which one or more Instruments are insured by FGIC, the priority of distributions between and among such Instruments may change upon the occurrence or during the continuance of an event that, but for the operation of the Plan, would constitute a payment default by FGIC under its Policies insuring such Instruments. Notwithstanding anything to the contrary in this Section 3.5, during any period of time in which a Claim has been submitted in accordance with the Plan with respect to a Policy and such Claim has not been satisfied in full in Cash and/or Deemed Cash Payments, this Section 3.5 shall not apply with respect to the determination of priority of distributions between and among such Instruments.

(d) If based on or in connection with the occurrence or existence of any of the Rehabilitation Circumstances or of a lack of payment or performance of or by the FGIC Parties under any FGIC Contract or Transaction Document, FGIC would be precluded from exercising any FGIC Right under the express terms and conditions of such FGIC Contract or Transaction Document to direct or instruct the Trustee to take or refrain from taking any actions as specified therein (other than with respect to matters addressed in Section 3.7 below which shall be

governed by that Section), then FGIC may nonetheless exercise such FGIC Right to direct or instruct the Trustee; *provided, however*, that in the event FGIC determines to exercise any such FGIC Right under such FGIC Contract or Transaction Document during any period of time in which an outstanding DPO exists with respect to the related Policy, FGIC shall provide to the Trustee (i) an indemnification in accordance with the standard set forth in Section 7.5(b) herein and (ii) an officer certificate confirming that FGIC reasonably believes, based upon its good faith determination, that such direction or instruction is in the best interests of holders of Instruments insured by the relevant Policy, as a whole.

(e) For the avoidance of doubt, nothing in this Plan is intended to modify, amend, supplement or waive the terms and conditions of any Transaction Documents, but rather is intended to clarify, in the context of and giving effect to all the provisions of the Plan, the relative rights of FGIC, the holders(s) of the insured Instruments, and the Trustees in respect of the exercise of their rights and remedies set forth in the Transaction Documents.

3.6 Reinsurance.

(a) Each reinsurer shall pay FGIC in full in Cash for such reinsurer's reinsured portion of the entire amount of each Permitted Policy Claim (irrespective of when such Policy Claim is submitted to FGIC, whether before the date of the Order of Rehabilitation, during the Rehabilitation Proceeding or after the Effective Date), in each case without giving effect to the Policy Restructuring and regardless of the amount paid in Cash by FGIC on account of such Policy Claim. Consistent with the foregoing, the terms "Loss" or "Losses" (or similar terms) used in the Reinsurance Agreements shall be deemed to refer to the entire amount of Permitted Policy Claims as and when such Permitted Policy Claims are Permitted by FGIC, irrespective of (i) the amount and timing of any Cash payments that FGIC may make with respect to any such Permitted Policy Claims, (ii) the modification pursuant to the Policy Restructuring of FGIC's obligations to pay such Permitted Policy Claims in Cash and (iii) any language in the Reinsurance Agreements that contradicts this result.

(b) Notwithstanding anything to the contrary in Section 3.6(a), all reinsurance covering, in whole or in part, the Policies covered by the Novation Agreement, to the extent such reinsurance has not been commuted prior to the novation of such Policies under the Novation Agreement, shall be automatically and without further action by any Person novated, to the extent of such coverage, to National Public.

(c) Except as provided in clauses (a) or (b) above or otherwise agreed in writing between FGIC and a reinsurer, none of the terms and conditions of the Reinsurance Agreements or the parties' respective obligations thereunder are affected by virtue of the Plan.

3.7 Control Rights.

During any period of time in which an outstanding DPO exists with respect to any Policy insuring Instruments issued directly in connection with any RMBS transaction, then with respect to such RMBS transaction:

(a) subject to the terms of this Section 3.7 and notwithstanding Section 3.5 hereof, the holders of Instruments insured by such Policy and the Trustee for such Instruments shall be

entitled to exercise all of their respective rights and remedies that are provided for under the express terms and conditions of the Transaction Documents relating to such Instruments or Policy in accordance with such terms and conditions to (x) enforce any obligation of the originator or other responsible party to cure, substitute or repurchase any defective mortgage or other loan, which is owed to the Trustee (or the related trust) or to such holders under such Transaction Documents (any such obligation owed to the Trustee (or the related trust) or to such holders being a "**Trust Loan Repurchase Obligation**") and (y) assert, investigate (including through requests for information or documentation concerning the Instruments or any mortgage(s) in the related trust(s)), compromise, settle or release any Cause of Action that the Trustee (or the related trust) or such holders may have with respect to any failure to perform any such Trust Loan Repurchase Obligation, including such holders' rights, if any, to direct or otherwise cause the Trustee or any servicer of such loans under the Transaction Documents (each being a "**Servicer**") to take any such action on behalf of such holders. Should any holder(s) of the Instruments insured by such Policy or the Trustee for such Instruments seek to exercise any right or remedy described above in this Section 3.7(a), any such Person:

- (i) shall provide FGIC with seven (7) Business Days' prior written notice before (x) requesting or demanding that any originator or other responsible party perform any Trust Loan Repurchase Obligation (which notice shall identify the applicable Policy and contain a listing of the mortgage loan numbers or other identifier of the mortgages or other loans subject to, and the general basis for, such request or demand) or (y) filing any complaint, demand, or summons and notice relating to, or any other legal document beginning, a lawsuit, arbitration, mediation or other proceeding asserting any Cause of Action with respect to any failure to perform a Trust Loan Repurchase Obligation (which notice shall identify the applicable Policy and contain a description of such Causes of Action to be asserted);
- (ii) shall, upon FGIC's request and at FGIC's sole expense, (x) allow, and take such action as may be requested by FGIC to allow, FGIC to join in any such lawsuit, arbitration, mediation or other proceeding which such Person has commenced or intends to commence, but only to the extent that FGIC would have been entitled to join in the absence of the occurrence or existence of the Rehabilitation Circumstances, the Rehabilitation or the lack of payment or performance of or by the FGIC Parties under the applicable FGIC Contract or Transaction Document and (y) *until* and *unless* FGIC becomes a party to any such lawsuit, arbitration, mediation or other proceeding, promptly provide FGIC with copies of all notices, pleadings and any other written communication delivered to or prepared by or on behalf of such Person in connection with any such lawsuit arbitration, mediation or other proceeding;
- (iii) shall be deemed to agree, by taking any action to enforce any Trust Loan Repurchase Obligation, that any amount received in respect of a judgment or settlement or any other amount that is awarded or received in connection with any such action shall be applied and distributed in accordance with the express terms and conditions of the Transaction Documents relating to such Instruments or Policy, assuming, solely for the purposes of determining the

priority of FGIC to receive such amount in accordance therewith, that FGIC has not complied with its payment obligations under the related Policy; and

- (iv) shall not be able to exercise any right that it has or may have to compromise, settle or release any claim that the Trustee (or the related trust) or any such holder may have with respect to any failure to perform any such Trust Loan Repurchase Obligation, including such holder's rights to direct or otherwise cause the Trustee or any Servicer to take any such action, *unless* and *until* (x) such holder or the Trustee (as applicable) has provided thirty (30) days' prior written notice to FGIC (which notice shall identify the applicable Policy and contain a description of the material terms and conditions of the proposed compromise, settlement or release) and, at FGIC's request, such request to be provided within such thirty (30) day period, has consulted with FGIC concerning the terms and conditions of such compromise, settlement or release and (y) the terms of the definitive documentation for the proposed compromise, settlement or release expressly provide that such compromise, settlement or release does not, and is not intended to, compromise, settle or release all or any portion of any FGIC Direct Claims, including FGIC Direct Claims in connection with the transaction to which such compromise, settlement or release relates.

(b) Notwithstanding Section 3.7(a) above, FGIC shall retain and may exercise any right or remedy it has or may have under such Policy or any Transaction Document relating to such Policy or the Instruments insured by such Policy to enforce any Trust Loan Repurchase Obligation or to assert, investigate, compromise, settle or release any Cause of Action that the Trustee (or the related trust) or the holders of such Instruments may have with respect to any failure to perform any such Trust Loan Repurchase Obligation, including its rights to direct or otherwise cause the Trustee or any Servicer to take any such action, in each case giving effect to Section 3.5 above. The Trustee shall be required to follow any such direction issued pursuant to this Section 3.7(b) as long as FGIC provides an indemnification to such Trustee with respect to such direction in accordance with the standard set forth in Section 7.5(b) herein. Should FGIC seek to exercise any such right or remedy to enforce any Trust Loan Repurchase Obligation, FGIC:

- (i) shall provide the applicable Trustee with seven (7) Business Days' prior written notice before (x) requesting or demanding that any originator or other responsible party perform any Trust Loan Repurchase Obligation (which notice shall identify the applicable Policy and contain a listing of the mortgage loan numbers or other identifier of the mortgages or other loans subject to, and the general basis for, such request or demand) or (y) filing any complaint, demand, or summons and notice relating to, or any other legal document beginning, a lawsuit, arbitration, mediation or other proceeding asserting any Cause of Action with respect to any failure to perform a Trust Loan Repurchase Obligation (which notice shall identify the applicable Policy and contain a description of such Causes of Action to be asserted);

- (ii) to the extent FGIC makes any request or direction to the Trustee to take or refrain from taking any action relating to a Trust Loan Repurchase Obligation, FGIC shall include therewith, to the extent entitled to do so under the relevant Transaction Documents, a request or direction that the Trustee provide notice of any such request or direction to the holders of the related Instruments; *provided, however*, that subject to Section 3.7(b)(iii) below, neither such request by FGIC, nor any determination by the Trustee, to provide notice to such holders shall entitle the Trustee to withhold, delay or condition its compliance with any such request or direction by FGIC;
 - (iii) shall not be entitled to exercise any right that it has or may have under such Policy or any such Transaction Document to compromise, settle or release any Cause of Action that the Trustee (or the related trust) or such holders may have with respect to any failure to perform any such Trust Loan Repurchase Obligation, including its rights to direct or otherwise cause the Trustee or any Servicer to take any such action, *unless and until* (x) FGIC has provided written notice to the Trustee of the proposed compromise, settlement or release (which notice shall identify the applicable Policy and contain a description of the material terms and conditions of the proposed compromise, settlement or release) and (y) (1) the Requisite Holders have directed the Trustee to support or enter into such compromise, settlement or release or (2) in the absence of such direction, the Trustee, having provided such notice to the holders of the Instruments insured by such Policy, has not received objections from holders of at least twenty-five percent (25%) of the outstanding principal amount of the Instruments insured by such Policy within forty-five (45) days after the date that FGIC provided such notice to the Trustee. In the event that the Trustee receives any direction satisfying the requirements of Section 3.7(b)(iii)(y)(1) above, the Trustee shall promptly provide FGIC with notice thereof and shall promptly comply with FGIC's direction. In the event that the Trustee receives an objection satisfying the requirements of Section 3.7(b)(iii)(y)(2) above, the Trustee shall promptly provide FGIC with notice thereof, whereupon FGIC's direction shall be considered withdrawn; and
 - (iv) shall be deemed to agree, that any amount a Trustee receives in a compromise, settlement or release pursuant to Section 3.7(b)(iii) shall be applied and distributed in accordance with the express terms and conditions of the relevant Transaction Documents, assuming, solely for the purposes of determining the priority of FGIC to receive such amount in accordance therewith, that FGIC has not complied with its payment obligations under the related Policy.
- (c) If any direction relating to an action specified in Section 3.7(b) above provided to the Trustee or any Servicer by FGIC (other than directions to settle, release or compromise claims which shall be governed by Section 3.7(b)(ii) above) conflicts with any direction or instruction provided by the Trustee or to the Trustee or such Servicer by the Requisite Holders in accordance with Section 3.7(a) prior to the Trustee or such Servicer taking the action as so directed by FGIC, (x) the Trustee or Servicer, as applicable, shall promptly notify FGIC in

writing of such conflicting direction, (y) the Trustee or Servicer, as applicable, such holders and FGIC shall promptly meet to discuss their respective directions and seek in good faith to resolve their differences, and (z) if they are unable to resolve their differences within ten (10) Business Days thereafter, the direction by the Trustee or of such holders (as applicable) shall control, whereupon FGIC shall be deemed to have withdrawn its direction.

(d) Nothing in the Plan, including the foregoing provisions of this Section 3.7, shall or is intended to in any manner prevent, limit, restrict or otherwise impair FGIC at any time from asserting, pursuing, enforcing, investigating, compromising, settling, releasing (on its own behalf, for its own account and in its sole discretion) or impose any additional obligations (including the giving of any notice) with respect to any and all FGIC Direct Claims in the same manner and to the same extent as FGIC would have been able in the absence of the Rehabilitation and the Rehabilitation Circumstances. If FGIC completes the settlement of any FGIC Direct Claims against any loan originator or other responsible party in any RMBS transaction or transactions to cure, substitute or repurchase any defective mortgage or other loan pursuant to which FGIC receives a settlement payment in an amount greater than \$25 million, FGIC shall promptly thereafter notify the Trustee or Trustees of the transactions that included such loans; *provided, however*, that FGIC shall not have any obligation to provide such notice if FGIC is restricted by contract from disclosing to the Trustee or Trustees the existence of such settlement or any of its terms.

ARTICLE IV.

CLAIM ADMINISTRATION AND DISTRIBUTIONS

4.1 Claim Administration Generally.

Following the Effective Date, FGIC shall be responsible for administering, reviewing, verifying, reconciling, objecting to, compromising or otherwise resolving all Claims not resolved prior to the Effective Date, in each case in compliance with the Plan and any NYSDFS Guidelines.

4.2 Secured Claims and Administrative Expense Claims.

A. Submission of Secured Claims and Administrative Expense Claims.

All Secured Claims and Administrative Expense Claims shall be submitted to FGIC in writing in the ordinary course of business and in accordance with, and including such information required by, the provisions of the underlying FGIC Contract (if applicable) giving rise to such Claim.

B. Reconciliation of Secured Claims and Administrative Expense Claims.

FGIC shall evaluate each submitted Secured Claim and Administrative Expense Claim to determine whether and to what extent such Claim should be Permitted. If FGIC determines that all or part of such Claim should not be Permitted, such Claim (or the relevant portion thereof) shall constitute a Disputed Claim and be resolved pursuant to Section 4.6 hereof. Permitted Administrative Expense Claims arising on or after the date of the Order of Rehabilitation that

constitute claims for indemnification pursuant to Section 7.5(b) of the Plan shall be paid pursuant to Section 4.7(D) of the Plan.

4.3 Policy Claims.

A. Submission of Policy Claims.

Each holder of a Policy Claim, including Policy Claims arising but not submitted to FGIC prior to the Effective Date, shall submit to FGIC all information required by the applicable Policy for submission of a Claim thereunder and a fully completed and duly executed Proof of Policy Claim Form by the later of (i) one year from the date the Policy Claim arose and (ii) ninety (90) days after the Effective Date. Each holder of a Policy Claim submitted to FGIC prior to the Effective Date that remains unpaid in whole or in part as of the Effective Date shall resubmit such Policy Claim using a fully completed and duly executed Proof of Policy Claim Form, together with all information required by the applicable Policy for submission of a Policy Claim thereunder, within ninety (90) days after the Effective Date (the "**Claims Resubmission Deadline**"). Any Policy Claim not timely submitted pursuant to the foregoing sentences, including unpaid Policy Claims submitted prior to the Effective Date but not resubmitted by the Claims Resubmission Deadline, which, if paid in accordance with Section 4.7(E) of the Plan, could reasonably be expected to interfere with FGIC's ability to operate in accordance with the Run-Off Principles, including its ability to ensure that all holders of Permitted Policy Claims (whenever arising) receive the same CPP of their Permitted Policy Claims, shall be treated as a Late-Filed Claim rather than a Policy Claim.

B. Reconciliation of Policy Claims.

FGIC shall evaluate each submitted Policy Claim to determine whether and to what extent such Claim should be Permitted. If FGIC determines that all or part of such Claim should not be Permitted, such Claim (or the relevant portion thereof) shall constitute a Disputed Claim and be resolved pursuant to Section 4.6 hereof.

4.4 Non-Policy Claims.

A. Submission of Non-Policy Claims.

The deadline for all holders of Non-Policy Claims to mail Proofs of Claim to FGIC at 125 Park Avenue, New York, NY 10017 (Attention: General Counsel) shall be no later than ninety (90) days after the Effective Date (the "**Bar Date**"). All Non-Policy Claims for which a Proof of Claim is not submitted to FGIC as provided herein by the Bar Date shall be treated as Late-Filed Claims, rather than Non-Policy Claims. Nothing in this Section 4.4(A) requires a holder of a Non-Policy Claim that timely submitted such Non-Policy Claim to FGIC as a Proof of Claim prior to the Effective Date to resubmit such Non-Policy Claim to FGIC.

B. Reconciliation of Non-Policy Claims.

FGIC shall not be required to evaluate any Non-Policy Claim unless and until it determines in its reasonable estimation, in consultation with the NYSDFS, that there is a substantial likelihood that sufficient assets will be available to make a distribution on account of

Non-Policy Claims. If FGIC determines, in consultation with the NYSDFS, that there is a substantial likelihood that sufficient assets will be available for Non-Policy Claims, reconciliation of Non-Policy Claims shall be subject to Sections 4.1 and 4.6 hereof; *provided, however*, that the Objection Deadline in clause (x)(b) of Section 4.6 hereof shall run sixty (60) days from the date FGIC posts notice of such likelihood on the Policyholder Information Center.

4.5 Late-Filed Claims.

FGIC shall not be required to evaluate any Late-Filed Claim unless and until it determines in its reasonable estimation, in consultation with the NYSDFS, that there is a substantial likelihood that sufficient assets will be available to make a distribution on account of Late-Filed Claims. If FGIC determines that there is a substantial likelihood that sufficient assets will be available for Late-Filed Claims, reconciliation of Late-Filed Claims shall be subject to Sections 4.1 and 4.6 hereof; *provided, however*, that (i) the fact that a Late-Filed Claim was asserted after the applicable deadline shall not be a ground for not permitting a Late-Filed Claim and (ii) the Objection Deadline in clause (x)(b) of Section 4.6 hereof shall run sixty (60) days from the date FGIC posts notice of such likelihood on the Policyholder Information Center.

4.6 Reconciliation of Disputed Claims.

FGIC may object to all or part of any Claim on any reasonable ground, including (i) a claimant's failure to provide sufficient information to evaluate a Claim, (ii) that all or part of a Claim is not a Permitted Claim pursuant to Section 4.10 hereof, (iii) that all or part of a Claim is a Late-Filed Claim or (iv) that the holder of such Claim or any party to the transaction relating to such Claim is in violation of the Plan or the injunctive relief in Section 7.8 hereof. To do so, FGIC shall provide the holder of the Claim with written notice of the substance of its objection to such Claim (an "**Objection**") within the later of (x) sixty (60) days following the later of (a) the date of the proper submission to FGIC of such Claim in accordance with the terms of the Plan and (b) the Effective Date, (y) the deadline, if any, specified for such Objection in the underlying FGIC Contract or Transaction Document giving rise to such Claim, if any, or (z) such other applicable period fixed by the Court (the "**Objection Deadline**"). The Objection shall set forth the amount of the Claim that FGIC objects to and the amount, if any, that FGIC believes should be Permitted, as well as a reasonable summary of the bases for the Objection. No later than the later of (a) sixty (60) days after FGIC sends (by email, overnight mail or other form of mailing containing proof of transmission) the Objection to the holder of such Claim and (b) the deadline, if any, specified for such response in the applicable FGIC Contract or Transaction Document giving rise to such Claim (the "**Response Deadline**"), the holder of the Claim, if it opposes the Objection, shall send to FGIC a written response to the Objection (the "**Response**"). Each Response must set forth the facts and the legal bases, if any, for the opposition and the reasons why the Claim should be Permitted in a greater amount than stated in the Objection. If no Response is sent by the holder of such Claim on or prior to the Response Deadline, the Claim shall be Permitted in the applicable amount set forth in the Objection without order of the Court. If a Response is submitted on or prior to the Response Deadline, FGIC shall have thirty (30) days after receipt of the Response to determine whether and in what amount the Claim should be Permitted in whole or in part and shall notify the holder of the Claim of its determination by email, overnight mail or other form of mailing containing proof of transmission (the "**FGIC Claim Determination**"). The holder of the Claim has the right to challenge the FGIC Claim

Determination in a court of competent jurisdiction so long as such challenge is initiated within ninety (90) days of FGIC's sending of the FGIC Claim Determination; *provided, however*, that if the determination of any Claim involves the interpretation, implementation or enforcement of the Plan, the Court shall be the exclusive venue for any party to challenge the validity of any FGIC Claim Determination. If the FGIC Claim Determination is not challenged by the holder of the Claim as provided in the preceding sentence, the Claim shall be Permitted in the amount set forth in the FGIC Claim Determination. No demand for documents or information and/or the failure to provide requested documents or information shall have the effect of staying or tolling any time period or deadline set forth in this Section 4.6.

4.7 Payment of Claims.

A. Payment of Claims Generally.

FGIC shall only pay a Claim to the extent that such Claim becomes a Permitted Claim. To the extent FGIC objects to a Claim pursuant to Section 4.6 hereof, in whole or in part, FGIC shall be entitled to withhold payment with respect to only the disputed portion of such Claim. Any remaining non-disputed portion of such Claim shall become a Permitted Claim and FGIC shall pay such non-disputed portion of such Claim pursuant to the Plan. Any and all Claims covered by the Plan, as described in Section 1.1 hereof, shall be resolved and paid solely pursuant to the Plan. In particular, the holders of Permitted Claims shall have no rights against FGIC on account of such Claims other than the treatment provided for such Claims under the Plan.

B. No Duplicative Recovery.

No holder of a Claim shall be entitled to receive distributions on account of its Permitted Claim that exceed 100% of the amount of such Permitted Claim; *provided, however*, that this shall not limit the payment of any DPO Accretion by FGIC in accordance with the provisions of the Plan. Furthermore, if and to the extent that the holder of a Permitted Claim receives payment in full or in part on account of such Permitted Claim from a Person that is not FGIC (such Person, a "**Non-FGIC Payor**"), FGIC shall reduce (i) the DPO with respect to a Permitted Policy Claim and (ii) distributions on account of a Permitted Claim (other than a Permitted Policy Claim); *provided, however*, FGIC shall not reduce DPO or distributions, as applicable, to the relevant Non-FGIC Payor on account of such Permitted Claim if and to the extent such Non-FGIC Payor becomes a subrogee of the holder of such Permitted Claim as a result of such payment; and *provided, further*, that this sentence shall not modify any terms of the Plan regarding FGIC Payments.

C. Payment of Permitted Secured Claims.

Promptly following FGIC's determination that all or a portion of a Secured Claim is Permitted, FGIC shall, from the collateral securing such Claim, pay in Cash such Claim or portion, as applicable, pursuant to the terms of the underlying FGIC Contract (if applicable) giving rise to such Claim. If a portion of a Secured Claim is disputed by FGIC pursuant to Section 4.6 hereof, FGIC shall have no obligation to pay such disputed portion of such Secured Claim unless and until such portion is Permitted pursuant to Section 4.6 hereof. Promptly

following the date, and to the extent, such portion of such Secured Claim, as applicable, is Permitted pursuant to Section 4.6 hereof, FGIC shall, from the collateral securing such Secured Claim pay in Cash such portion pursuant to the terms of the underlying FGIC Contract (if applicable) giving rise to such Claim.

D. Payment of Permitted Administrative Expense Claims.

Promptly following FGIC's determination that all or a portion of an Administrative Expense Claim is Permitted, FGIC shall pay in Cash such Claim or portion, as applicable, pursuant to FGIC's normal business practices. If a portion of an Administrative Expense Claim is disputed by FGIC pursuant to Section 4.6 hereof, FGIC shall have no obligation to pay such disputed portion of such Administrative Expense Claim unless and until such portion is Permitted pursuant to Section 4.6 hereof. Promptly following the date, and to the extent, such portion of such Administrative Expense Claim is Permitted pursuant to Section 4.6 hereof, FGIC shall pay in Cash such portion pursuant to FGIC's normal business practices.

E. Payment of Permitted Policy Claims.

Promptly following FGIC's determination that all or a portion of a Policy Claim is Permitted, FGIC shall pay such Claim or portion, as applicable, pursuant to the Restructured Policy Terms. With respect to each payment, FGIC shall indicate to the applicable Policyholder the Policy Claim to which such payment relates. Payments with respect to a Permitted Policy Claim consisting of both principal and interest payments insured by the related Policy shall be applied by the holder of such Permitted Policy Claim against principal and interest amounts pursuant to the applicable terms (if any) of the related Transaction Documents. If a portion of a Policy Claim is disputed by FGIC pursuant to Section 4.6 hereof, FGIC shall have no obligation to pay such disputed portion of such Policy Claim unless and until such portion is Permitted pursuant to Section 4.6 hereof. Promptly following the date, and to the extent, such portion of such Policy Claim is Permitted pursuant to Section 4.6 hereof, FGIC shall pay such portion pursuant to the Restructured Policy Terms.

F. Payment of Permitted Non-Policy Claims and Late-Filed Claims.

Promptly following FGIC's determination that all or a portion of a Non-Policy Claim or Late-Filed Claim is Permitted, FGIC shall pay such Claim or portion, as applicable, its pro rata portion of Cash that is available for distribution to Non-Policy Claims or Late-Filed Claims, as applicable. If a portion of a Non-Policy Claim or Late-Filed Claim is disputed, FGIC shall have no obligation to pay such disputed portion of such Claim unless and until such portion is Permitted pursuant to Section 4.6 hereof. Promptly following the date, and to the extent, such portion is Permitted pursuant to Section 4.6 hereof, FGIC shall pay such portion its pro rata portion of Cash that is available for distribution to Non-Policy Claims or Late-Filed Claims, as applicable.

4.8 Alternative Resolution of Claims.

Nothing in the Plan shall limit the ability of FGIC to resolve after the Effective Date, without further Court approval, any Claim through the consensual arrangement, negotiation, execution and effectuation of an amendment, restructuring, reinsurance, refinancing, purchase,

repurchase, termination, settlement, commutation, tender, synthetic commutation or tear-up or any similar transaction that results in the extinguishment or reduction of FGIC's liability, in respect of (i) all or part of any Policy, (ii) all or part of the underlying obligation or obligations insured by any such Policy or (iii) the underlying Instrument, contract or arrangement, if any, giving rise to such Claim (each of (i), (ii) and (iii), an "**Alternative Resolution**"), subject to the following requirements:

(a) FGIC shall determine in its reasonable business judgment that the Alternative Resolution is fair and equitable to the interests of the Policyholders generally and not reasonably likely to result in a reduction of the CPP; and

(b) FGIC shall comply with the notice requirements of clause (i) of Section 7.10(d) hereof.

4.9 Setoff of Cash Payments.

(a) Except to the extent otherwise specified in the Plan, FGIC may set off in whole or in part against any Permitted Claim or any distribution to be made under the Plan on account of such Permitted Claim, all amounts owed to it under Causes of Action that FGIC may have against the holder of such Permitted Claim that are not otherwise waived, released or compromised pursuant to the Plan. Neither the failure to effect such a setoff nor the determination that any Claim or portion thereof is Permitted shall constitute a waiver or release by FGIC of any such Causes of Action, notwithstanding any compulsory counterclaim rules or requirements to the contrary.

(b) Except to the extent otherwise specified in the Plan, a FGIC Payment Payor may properly exercise any rights it may have to exercise setoff or recoupment of any Cash amount (including on account of an Excess Payment) then owed under a Policy by FGIC to the FGIC Payment Payor pursuant to the Plan against a FGIC Payment relating to such Policy then payable by such FGIC Payment Payor to FGIC.

(c) For the avoidance of doubt, nothing in Section 4.9 hereof prohibits or otherwise limits any Person who, prior to the date of the Order of Rehabilitation, failed to pay FGIC any Pre-Rehabilitation FGIC Premiums, Expenses, and Recoveries relating to a Policy from properly exercising or having properly exercised a right of setoff or recoupment with respect to a Claim under such Policy arising prior to the date of the Order of Rehabilitation held by such Person against such unpaid Pre-Rehabilitation FGIC Premiums, Expenses, and Recoveries.

4.10 Certain Claims Not Permitted.

A Permitted Claim shall not include any (i) interest on such Claim to the extent accruing or maturing on or after the date of the Order of Rehabilitation, (ii) interest on the amount of any interest, principal or other amounts payable in respect of an insured obligation, which was the subject of a Permitted Policy Claim and satisfied with DPO rather than Cash pursuant to Section 2.3 hereof, (iii) punitive, consequential, special or exemplary damages, (iv) fine, penalty, tax or forfeiture, including default or penalty interest or interest on interest purported to be imposed on the Claim or on the related insured obligation, if any, (v) payment obligation of FGIC or underlying obligation or risk of loss insured by FGIC that has, in either case, been

released, satisfied, terminated, commuted, novated or otherwise extinguished (pursuant to the Plan or otherwise), except to the extent that the release, satisfaction, termination, commutation, novation or extinguishment of an underlying obligation or risk of loss insured by FGIC results from a discharge or release granted in an insolvency proceeding of the related underlying obligor, (vi) award or reimbursement of attorneys' fees or related expenses or disbursements on, or in connection with, any Claim, except for any indemnity pursuant to Section 7.5 hereof, (vii) amount payable in respect of the termination of a CDS or other swap agreement in contravention of Section 7.8(d) hereof (whether calculated on the basis of "Market Quotation," "Loss," "Close-out Amount" or other methodologies), (viii) any portion of a Claim that is a Duplicate Claim or (ix) any portion of a Claim arising directly or indirectly from any of the foregoing.

4.11 Address or Account for Delivery of Plan Distributions/Unclaimed Distributions.

Any distributions made under the Plan to a holder of a Permitted Claim shall be made at the address or account of such holder as set forth on the Proof of Claim or Proof of Policy Claim Form submitted by such holder, as applicable. If any distribution under the Plan is returned as undeliverable, FGIC shall use reasonable efforts to determine the current address of such holder, but no distribution to such holder shall be made unless and until FGIC has determined the then-current address of such holder, at which time such distribution shall be made to such holder without interest from the original distribution date through the new distribution date; *provided* that if the current address of such holder remains unknown for long enough for such distribution to become abandoned property pursuant to then-applicable law, such undeliverable distribution shall become abandoned property and be dealt with pursuant to then-applicable law.

4.12 Time Bar to Cash Payments.

Any checks issued in respect of Permitted Claims shall be null and void if not negotiated within one hundred and eighty (180) days after the date of issuance thereof. Requests for reissuance of any voided check shall be made directly to FGIC by the holder of the Permitted Claim to whom such check was originally issued, *provided* that such request must be made before the applicable distribution becomes abandoned property pursuant to then-applicable law.

4.13 Rights of Subrogation.

Any contractual right to subrogation that FGIC may have under or with respect to any Policy or related FGIC Contract or Transaction Document shall be for an amount equal to the Cash payments or Deemed Cash Payments that FGIC ultimately pays thereunder or with respect thereto, including with respect to any Permitted Policy Claims under such Policy (including as a result of future CPP increases that may occur following any initial payment of Cash with respect to such Permitted Policy Claims), excluding any Cash payments or Deemed Cash Payments made in respect of DPO Accretion for such Policy.

ARTICLE V.

CONTRACTS AND LEASES

5.1 Treatment of Contracts and Leases.

Unless included on the Schedule of Terminated Contracts and Leases or terminated during the Rehabilitation Proceeding, all contracts and leases in existence as of the Effective Date shall continue in full force and effect after the Effective Date and any defaults thereunder shall be cured to the extent provided by the Plan. All contracts and leases listed on the Schedule of Terminated Contracts and Leases shall terminate on the Effective Date.

5.2 Inclusiveness.

Unless otherwise specified on the Schedule of Terminated Contracts and Leases, each contract and lease listed therein shall include any and all modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affects such contract or lease, without regard to whether such agreement, instrument or other document is listed on such schedule.

5.3 Bar Date for Filing Proofs of Claim Relating to Contracts and Leases Terminated Pursuant to the Plan or During the Rehabilitation Proceeding.

If a counterparty believes that termination of its contract or lease pursuant to the Plan or during the Rehabilitation Proceeding gives rise to a Claim (a "Termination Damage Claim"), such counterparty may submit a Termination Damage Claim in the form of a Proof of Claim. **All such proofs of Claim must be mailed to FGIC at 125 Park Avenue, New York, NY 10017 (Attention: General Counsel) by the Bar Date.** All such Proofs of Claim not submitted as provided above by the Bar Date shall be treated as Late-Filed Claims for all purposes.

Termination Damage Claims shall be treated as Non-Policy Claims and are subject to reconciliation by FGIC pursuant to Sections 4.1 and 4.6 hereof.

ARTICLE VI.

EFFECTIVE DATE

6.1 Conditions Precedent to the Effective Date.

The Effective Date shall not occur and the Plan shall not become effective unless and until the following conditions are satisfied in full or waived pursuant to Section 6.3 hereof:

- (a) The Plan Approval Order shall have been signed;
- (b) The Plan Approval Order shall have become a Final Order;

(c) The Court shall have approved the form of amended and restated charter, the form of amended and restated by-laws, the Novation Agreement and each CDS Commutation Agreement;

(d) The FGIC Corp. Plan shall have become effective;

(e) All actions, agreements, authorizations, consents, letters, opinions, instruments and other documents necessary to implement the Plan shall have been obtained, effected or executed and delivered, as applicable, in form and substance satisfactory to the Rehabilitator, and shall not have been revoked;

(f) The Rehabilitator or FGIC shall have received from each taxing authority to which application for a ruling has been made in connection with the Plan or the FGIC Corp. Chapter 11 Case such ruling in form and substance satisfactory to the Rehabilitator in his sole discretion;

(g) No Legal Proceeding shall have been instituted or threatened, to the knowledge of the Rehabilitator, nor shall any claim or demand have been made against the Rehabilitator, FGIC or any other Person seeking to restrain, prohibit or obtain damages with respect to the consummation of the transactions contemplated by the Plan or the FGIC Corp. Plan, and there shall not be in effect any Final Order restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby or thereby;

(h) No actual or threatened event, circumstance, condition, fact, effect or other matter exists, to the knowledge of the Rehabilitator, that, individually or in the aggregate with any other such event, circumstance, condition, fact, effect or other matter, has had or could reasonably be expected to have, as determined by the Rehabilitator in his sole discretion, an adverse effect on the viability or implementation of the Plan or treatment of Claims pursuant to the Plan following the Effective Date; and

(i) The Rehabilitator shall have determined in his sole discretion that, after giving effect to the Plan and transactions contemplated hereby, the purposes of the Rehabilitation will have been fully accomplished.

6.2 Notification of Effective Date.

Upon the occurrence of the Effective Date, the Rehabilitator shall file a notice with the Court and post a notice on the Policyholder Information Center indicating the occurrence of the Effective Date.

6.3 Waiver of Conditions.

Each of the conditions precedent in Section 6.1 hereof, other than Section 6.1(a), may be waived, in whole or in part, by the Rehabilitator in his sole discretion. Any such waiver(s) may be effected at any time, without notice, leave or order of the Court or any formal action.

ARTICLE VII.

EFFECT OF EFFECTIVE DATE

7.1 Discharge.

(a) Permitted Claims. Permitted Claims (irrespective of when arising, brought against FGIC or Permitted) shall be treated solely pursuant to the Plan and such treatment shall effect a full and complete release, discharge and termination of any liens or other claims, interests or encumbrances upon the FGIC Parties with respect to such Permitted Claims.

(b) Non-Permitted Claims. All liens and other claims, interests and encumbrances upon the FGIC Parties with respect to any Claim or portion thereof that is not Permitted shall be released, discharged and terminated as of the date and to the extent such Claim is ultimately determined not to be Permitted pursuant to Section 4.6 hereof.

7.2 Releases.

Effective as of the Effective Date, the FGIC Parties shall release unconditionally and forever each of (i) the NYLB, (ii) the NYSDFS, (iii) the Rehabilitator, (iv) the attorneys, agents, advisors and representatives (collectively, the "Representatives") and employees of each of the NYLB, the NYSDFS and the Rehabilitator, and any advisors retained by the Representatives of the foregoing, (v) the Representatives of FGIC and any advisors retained by any of such Representatives, in each case solely with respect to services provided on or after November 24, 2009 and (vi) those directors, officers, and employees of the FGIC Parties who served or were employed by the FGIC Parties in such capacity on or after November 24, 2009, from any and all Causes of Action based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or prior to the date of the Order of Rehabilitation and arising from or relating to the operation of FGIC or the Rehabilitation Proceeding (including the Rehabilitation Circumstances, the commencement of the Rehabilitation Proceeding, the preparations therefor, negotiations relating thereto, any restructuring work relating thereto and preparation of the Plan) (collectively, the "Released Causes of Action"); *provided* that the foregoing shall not affect the liability of any such Person that otherwise would result from any act or omission that is determined by a Final Order to constitute willful misconduct, gross negligence, intentional fraud, criminal conduct, intentional unauthorized misuse of confidential information that causes damages or *ultra vires* acts.

7.3 Exculpation.

Effective as of the Effective Date, each of (i) the FGIC Parties, (ii) the NYLB, (iii) the NYSDFS, (iv) the Rehabilitator, (v) the Representatives and employees of each of the FGIC Parties, the NYLB, the NYSDFS and the Rehabilitator, and any advisors retained by the Representatives of the foregoing, and (vi) directors and officers of the FGIC Parties (collectively, the "Exculpated Parties"), are exculpated from any and all Causes of Action based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or after November 24, 2009 arising out of, in connection with or otherwise relating to the Rehabilitation Proceeding (including the commencement of the Rehabilitation Proceeding, the preparation

therefor, negotiations relating thereto, any restructuring work relating thereto, any Court orders sought or obtained, and the administration of the Rehabilitation Proceeding), the Disclosure Statement (including the Disclosure Statement's formulation, negotiation, preparation and dissemination), the Plan (including the Plan's formulation, negotiation, preparation, dissemination and approval) or any contract, instrument, document or other agreement entered into as part of or pursuant to the Plan (collectively, the "**Exculpated Causes of Action**"); *provided* that the foregoing shall not affect the liability of any such Person that otherwise would result from any act or omission that is determined by a Final Order to constitute willful misconduct, gross negligence, intentional fraud, criminal conduct, intentional unauthorized misuse of confidential information that causes damages or *ultra vires* acts.

7.4 No Liability for Information Provided by Trustees.

Effective as of the Effective Date, none of the Exculpated Parties shall be subject to any liability, directly or indirectly, for or in connection with (i) the completeness or accuracy of any information provided or published at any time by any corporate or other trustee or other Person or any failure of any corporate or other trustee or other Person to provide or publish at any time any information or (ii) any allocation, payment or distribution of any cash flows, recoveries, other funds, trust property or other property or proceeds, or any failure to make or pay the same, or any other action or inaction, at any time by any corporate or other trustee or other Person.

7.5 Indemnity.

(a) FGIC shall indemnify and hold harmless each of (i) the NYLB, (ii) the NYSDFS, (iii) the Rehabilitator, (iv) the respective Representatives and employees of each of the NYLB, the NYSDFS and the Rehabilitator, and any advisors retained by the Representatives of the foregoing and (v) those directors, officers and employees of the FGIC Parties who served or were employed by the FGIC Parties in such capacity on or after November 24, 2009, against any and all Losses arising from any Released Causes of Action and Exculpated Causes of Action other than to the extent that such Losses result from any act or omission by such Person that is determined by a Final Order to constitute willful misconduct, gross negligence, intentional fraud, criminal conduct, intentional unauthorized misuse of confidential information that causes damages or *ultra vires* acts. FGIC shall use commercially reasonable efforts to obtain payment under any available insurance with respect to such indemnification.

(b) FGIC shall indemnify each Indemnified Trustee for any Losses incurred by such Indemnified Trustee arising from its compliance with the express terms and conditions of the Plan or any direction given to it by FGIC pursuant to the relevant FGIC Contract or Transaction Document (in each case, excluding Losses resulting from gross negligence or willful misconduct of such Indemnified Trustee); *provided, however*, that (i) no amounts shall be payable by FGIC pursuant to this Section 7.5(b) to any Indemnified Trustee to the extent that the same is reimbursed to the Indemnified Trustee under or pursuant to any of the Transaction Documents, (ii) FGIC shall not indemnify any Indemnified Trustee for any action taken or not taken at the direction of any Person other than FGIC, (iii) for purposes of this Section 7.5(b), any Indemnified Trustee's compliance with the express terms and conditions of the Plan or of any direction given to it by FGIC pursuant to the relevant FGIC Contract or Transaction Document shall be deemed to not constitute gross negligence or willful misconduct, (iv) promptly after

receiving notice from any Indemnified Trustee of the commencement of any Legal Proceeding against such Indemnified Trustee which may result in such Indemnified Trustee's incurrance of any Loss contemplated under this Section 7.5(b), FGIC may elect to assume the defense of such Legal Proceeding by providing notice of such assumption to such Indemnified Trustee, and in the event that (x) such Indemnified Trustee fails to promptly notify FGIC of the commencement of any such Legal Proceeding and (y) FGIC is materially adversely affected by such failure to promptly provide such notice, FGIC shall not be required under this Section 7.5(b) to indemnify such Indemnified Trustee for any such Loss relating to such Legal Proceeding, (v) to the extent that FGIC assumes the defense of a Legal Proceeding against an Indemnified Trustee pursuant to clause (iv), FGIC shall not, without the prior written consent of such Indemnified Trustee (which consent shall not be unreasonably withheld), settle, compromise or consent to the entry of any judgment in any pending or threatened Legal Proceeding that may result in such Indemnified Trustee's incurrance of any Loss contemplated by this Section 7.5(b) *unless* such settlement, compromise or consent to the entry of any judgment (A) includes an unconditional release of the Indemnified Trustee from all liability arising out of such Legal Proceeding, (B) attributes no liability or fault to the Indemnified Trustee, (C) provides for no injunctive relief and imposes no specific performance, obligations or restrictions on the Indemnified Trustee (other than release) and (D) does not arise from or relate to any criminal action, suit or proceeding, and (vi) to the extent that FGIC does not assume the defense of a Legal Proceeding against an Indemnified Trustee pursuant to clause (iv), such Indemnified Trustee shall not settle, compromise or consent to the entry of any judgment in such pending or threatened Legal Proceeding that may result in such Indemnified Trustee's incurrance of any Loss contemplated under this Section 7.5(b) *unless* (x) FGIC has provided such Indemnified Trustee with its prior written consent thereto (which consent shall not be unreasonably withheld) or (y) such settlement, compromise or consent (A) includes an unconditional release of FGIC from all liability arising out of such Legal Proceeding, (B) attributes no liability or fault to FGIC, (C) provides for no injunctive relief and imposes no specific performance, obligations or restrictions on FGIC (other than release) (D) does not arise from or relate to any criminal action, suit or proceeding and (E) does not give rise to any Loss for which FGIC is required to indemnify such Indemnified Trustee under this Section 7.5(b). Actions taken in accordance with the Plan by any Indemnified Trustee shall be deemed not to be a violation of any provision in, or duty arising out of, any FGIC Contract or Transaction Document. Any provisions of a FGIC Contract or Transaction Document to the effect that the Indemnified Trustee be provided with an indemnity or security to or for its benefit prior to performing any action required under the Plan, including complying with any direction given to it by FGIC pursuant to the relevant FGIC Contract or Transaction Document, and including provisions that allow the Indemnified Trustee to refrain from performing any action in the absence of such an indemnity, shall be deemed satisfied if such Indemnified Trustee is provided with a reasonable indemnity under the circumstances in which such indemnity is being provided (notwithstanding any express or implied requirement that such indemnity be "adequate," "sufficient," "acceptable," "satisfactory" or similar terms, whether or not in the sole discretion of such Indemnified Trustee). Such requirement may, but (if not reasonably satisfactory to the Indemnified Trustee in light of the particular circumstances giving rise to the indemnification requirement) need not be, satisfied by this Section 7.5(b). If an Indemnified Trustee rejects an indemnity provided by FGIC (including the indemnity provided in this Section 7.5(b)), FGIC shall bear the burden of proving why such indemnity is reasonable under the circumstances in which such indemnity is being provided.

7.6 Termination of Rehabilitation Proceeding.

The Rehabilitation Proceeding shall terminate on the Effective Date. Upon termination of the Rehabilitation Proceeding, the 1310 Order shall be lifted and FGIC shall resume possession of its property and the conduct of its business, subject to the limitations described in the Plan.

7.7 Termination of Duties of Rehabilitator.

On the Effective Date, the Rehabilitator shall be discharged of all duties as Rehabilitator and the Rehabilitator's employees and appointed agents shall be discharged of their duties, if any, with respect to all matters related to the rehabilitation of FGIC. The Rehabilitator, the NYLB and each of their respective employees and Representatives shall have no liability for actions taken by FGIC after the Effective Date.

7.8 Injunctive Relief.

From and after the Effective Date, all Persons shall be prohibited from:

(a) commencing, continuing, advancing or otherwise prosecuting any Legal Proceeding against any Exculpated Parties with respect to any Released Cause of Action, Exculpated Cause of Action, Policy Claim, other Claim that arose or relates to the period prior to the Effective Date or Equity Interests in existence as of the date of the Order of Rehabilitation, in each case other than to enforce the terms of the Plan, challenge a FGIC Claim Determination or challenge FGIC's declaration of a Policy Crystallization Event;

(b) taking any steps to transfer, foreclose, sell, assign, garnish, levy, encumber, attach, dispose of, exercise or enforce purported rights in or against any claimed interest in any property or assets of FGIC with respect to, or otherwise recover or collect payment on, other than in accordance with the Plan, (i) any Policy Claim or (ii) any other Claim that arose or relates to the period prior to the Effective Date;

(c) except as set forth in Section 4.9 hereof, withholding or continuing to withhold, subordinating, failing to pay, setting-off, recouping or taking similar action with respect to FGIC Payments;

(d) (i) terminating, accelerating, liquidating, closing out, collecting on, claiming against, making any demand or delivering any notice under, or otherwise exercising or enforcing rights or remedies or taking any action under or with respect to, or attempting to terminate, accelerate, liquidate, close out, collect on, claim against, make any demand or deliver any notice under, or otherwise exercise or enforce rights or remedies or take action under or with respect to any FGIC Contract or any Transaction Document executed in connection with the issuance of or entry into such FGIC Contract or related to such FGIC Contract or any obligations insured or covered thereby, on the basis of the Rehabilitation or the occurrence or existence of any of the Rehabilitation Circumstances, regardless of the existence of any provisions in such FGIC Contract or Transaction Document that would or may otherwise permit or require such termination, acceleration, liquidation, closing out, collection, claim, demand, notice, exercise, enforcement or action, and/or (ii) asserting a Claim as a result of any such actual or attempted

early termination of any FGIC Contract, including any Claim based on the termination of a CDS or other swap agreement (whether calculated on the basis of "Market Quotation," "Loss," "Close-out Amount" or other methodologies) under or in relation to such FGIC Contract;

(e) (i) except as expressly provided by Section 3.7 hereof, exercising or taking any action to exercise, including by asserting any defense based on the Rehabilitation or the occurrence or existence of any of the Rehabilitation Circumstances, any approval, consent, direction, determination, appointment, request, voting, veto, waiver or other right that the FGIC Parties have (through the right to direct or grant or withhold consent with respect to such exercise or otherwise) (or that the FGIC Parties would have but for the Rehabilitation or the occurrence or existence of any of the Rehabilitation Circumstances) under or with respect to any FGIC Contract or any Transaction Document executed in connection with the issuance of or entry into such FGIC Contract or related to such FGIC Contract or any obligations insured or covered thereby (all rights and remedies described in this clause (i), the "**FGIC Rights**"); (ii) except as expressly provided by Section 3.7 hereof, failing to take, or taking any action inconsistent with, any action (or inaction) directed (whether actively or passively) to be taken pursuant to the exercise by the FGIC Parties of any FGIC Rights or (iii) failing to provide, or causing to be provided, to the FGIC Parties any notice, request or other communication or document that the FGIC Parties may have the right to receive (or that the FGIC Parties would or may have the right to receive but for the Rehabilitation or the occurrence or existence of any of the Rehabilitation Circumstances). For the avoidance of doubt, this subsection 7.8(e) shall not enjoin or restrain any trustee from exercising any remedial power in the absence of any conflicting direction from FGIC (to the extent that FGIC is entitled to give such direction) or any servicer (including any master servicer, sub-servicer or special servicer) from servicing underlying collateral, in each case to the extent permitted under and in accordance with the terms and conditions of the applicable Transaction Documents (and in each case without regard to the Rehabilitation and the occurrence or existence of any of the Rehabilitation Circumstances);

(f) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan, including any Exhibits hereto;

(g) withholding, failing to pay, setting-off, or taking similar action with respect to any portions of reinsurance and other obligations to FGIC for reinsurance in respect of Policies that are due and owing, or would be due and owing had the Rehabilitation Proceeding not terminated, or would otherwise be due and owing in the absence of the Rehabilitation and the occurrence or existence of any of the Rehabilitation Circumstances;

(h) seeking to acquire, acquiring or exercising voting or other corporate governance rights pursuant to or under the Preferred Stock until such time as the NYSDFS, in its sole discretion, determines such injunctive relief is no longer necessary; and

(i) pursuing any Released Cause of Action or Exculpated Cause of Action.

Nothing in the Plan, including Section 7.8(a) or (c) hereof, or the Plan Approval Order shall (i) prohibit a holder of a Claim from asserting a Claim pursuant to the Plan, other than as provided in Section 7.8(d) hereof, (ii) preclude or impair any holder of a Permitted Claim from bringing an action in the Court against FGIC to compel the making of distributions contemplated by the Plan

on account of such Permitted Claim after such distributions shall have become due and payable pursuant to the Plan but remain unpaid by FGIC or (iii) except as may be otherwise agreed to in writing by FGIC and the relevant Debtor (as defined below), alter, limit, or otherwise modify any rights of (I) a debtor or debtor in possession (a "**Debtor**") under the federal bankruptcy code, 11 U.S.C. §§ 101-1532 (the "**Bankruptcy Code**"), to take action with respect to the allowance, classification, discharge, priority, subordination, or treatment in such Debtor's bankruptcy case (a "**Bankruptcy Case**") (including in any plan of adjustment, liquidation, or reorganization proposed by or regarding such Debtor) of any claims (as defined in section 101(5) of the Bankruptcy Code) filed or otherwise asserted by the FGIC Parties in the Bankruptcy Case (the "**FGIC Claims**") (any such proposed action regarding the allowance, classification, discharge, priority, subordination, or treatment of the FGIC Claims by a Debtor, a "**Bankruptcy Case Claim Action**"), *provided* that (x) no Bankruptcy Case Claim Action may be based on (or on defenses based on) the Rehabilitation or the occurrence or existence of any of the Rehabilitation Circumstances (regardless of the existence of any provisions in any FGIC Contract or Transaction Document related to such claims that would or may permit the taking of any such action or similar action with respect to such claims) and (y) no Bankruptcy Case Claim Action may seek to collect any monetary amounts from FGIC, including, without limitation, by way of setoff or recoupment against FGIC Payments, if such setoff or recoupment is prohibited by Section 7.8(c) hereof; or (II) the FGIC Parties to challenge any such Bankruptcy Case Claim Action before the bankruptcy court or any other court that exercises competent jurisdiction over the Bankruptcy Case Claim Action (including, without limitation, on the basis that FGIC's payment of CPP of each Permitted Policy Claim pursuant to the Plan is a payment in full of FGIC's obligations under the related Policy, as revised by the Plan), so long as such challenge does not conflict with subclause (I) above.

7.9 Preservation of Causes of Action.

Following the Effective Date, FGIC shall retain and may (but is not required to) prosecute, settle, release, compromise or enforce any and all Causes of Action not released or exculpated pursuant to the Plan. FGIC shall determine, in its sole discretion, whether to bring, settle, release, compromise or enforce any rights with respect to such Causes of Action. FGIC shall provide to the NYSDFS thirty (30) days' written notice (or such advance notice as the NYSDFS may agree to, on a case-by-case basis) before settling, releasing or compromising any Causes of Action where FGIC's claims would be expected to exceed \$25 million (or such other amount as the NYSDFS may agree to). FGIC shall obtain the written approval of the NYSDFS if any such settlement, release or compromise would result in a payment by FGIC of \$10 million (or such other amount as the NYSDFS may agree to) or more. FGIC's failure to specifically list any Cause of Action in the Disclosure Statement or the Plan does not, and will not be deemed to, constitute a waiver or release by FGIC of such Causes of Action. FGIC will retain the right to pursue such Causes of Action and, therefore, no preclusion doctrine, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches will apply to such Causes of Action. In addition, payment of a Permitted Claim (or any portion thereof) shall not preclude FGIC from pursuing any remedies at law or in equity against a Policyholder or holder of a Claim.

7.10 Limitations on Operations Following Effective Date.

From and after the Effective Date, until such time (if ever) as the NYSDFS grants written approval to remove any of the following requirements, the following shall apply to FGIC:

(a) FGIC shall not issue any new insurance policies or guaranties or provide any new reinsurance in each case without the prior express written approval of the NYSDFS;

(b) FGIC shall not pay any dividends, distributions or other payments to the holder of any Equity Interest on account thereof without the prior express written approval of the NYSDFS;

(c) FGIC shall not sell, reinsure or otherwise transfer any portion of its assets and liabilities involving five percent (5%) or more of FGIC's Admitted Assets (other than investment management activities in the ordinary course of business) without the prior express written approval of the NYSDFS;

(d) FGIC shall provide to the NYSDFS thirty (30) days' written notice (or such advance notice as the NYSDFS may agree to, on a case-by-case basis) before FGIC may (i) effectuate any Alternative Resolution pursuant to Section 4.8 hereof involving more than \$25 million (or such other amount as the NYSDFS may agree to) in total economic cost to FGIC (including not only any proposed payment by FGIC, but also any loss of value to FGIC resulting from such transaction, such as through loss of future premiums or reinsurance coverage) or (ii) permit any Claim in an amount exceeding \$10 million (or such other amount as the NYSDFS may agree to);

(e) FGIC shall obtain the written approval of the NYSDFS if any Alternative Resolution referenced in subsection (d) of this Section 7.10 would result in a payment by FGIC of \$10 million (or such other amount as the NYSDFS may agree to) or more;

(f) Neither FGIC nor FGIC Corp. shall execute changes to its corporate governance structure, including amendment of FGIC's charter and bylaws, without the prior express written approval of the NYSDFS;

(g) Any person nominated to serve as a director of FGIC or FGIC Corp shall require the prior written approval of the NYSDFS prior to being presented to the shareholders for election as a director;

(h) FGIC shall comply with all applicable New York insurance laws and regulations;

(i) No CPP Revaluation or CPP Adjustment shall become effective until FGIC has submitted to the NYSDFS a request for approval thereof that is accompanied by evidence justifying such change, as prepared by a CPP Revaluation Firm, and a certification by FGIC's CEO that, to the best of the CEO's information and belief, such request is consistent with the Run-Off Principles, and FGIC has received the NYSDFS's express prior written approval therefor; and

(j) FGIC shall reimburse the NYSDFS for its expenses associated with its oversight of the post-Rehabilitation Proceeding run-off promptly following the request of the NYSDFS for such reimbursement.

7.11 Reporting.

A. Status of Rehabilitation.

Following the Effective Date, no later than June 1 of each year, FGIC shall file with the NYSDFS and post on the Policyholder Information Center a report on the status of the Rehabilitation. Such report shall include:

(a) A report substantially in the form of the FGIC Quarterly Operating Review which has been previously published by FGIC, which shall include the information typically contained in such Operating Review and FGIC's statutory loss reserves and Admitted Assets, amount of Permitted Claims, Claims submitted that are pending but not yet Permitted and the amount of DPOs and DPO Accretion with respect to Permitted Claims, in each case as of the end of the most recent year;

(b) The status of the implementation of the Plan;

(c) A summary explanation of the basis for any change or determination not to change the CPP during such year; and

(d) Such other information as may be requested by the NYSDFS.

B. Run-Off Projections.

From and after the Effective Date until such time (if ever) as the NYSDFS grants written approval to remove any of the following requirements, FGIC shall make available to the NYSDFS the following reports:

(a) Annual reports in a format acceptable to the NYSDFS of the updated Run-Off Projections and the cash flow projections under a Base Scenario based on actual results to date, each prepared by a CPP Revaluation Firm; and

(b) Quarterly reports in a format acceptable to the NYSDFS comparing the most recent Run-Off Projections and the cash flow projections under a Base Scenario against actual results for such quarter, and informing the NYSDFS of key metrics of the post-Rehabilitation Proceeding run-off, including Claims filed, Permitted, ultimately determined not to be Permitted pursuant to Section 4.6 hereof and paid in Cash during such quarter and any contingency or loss reserves released during such quarter.

C. Other Reports.

FGIC shall comply with all reporting requirements of applicable New York insurance laws and regulations.

ARTICLE VIII.

RETENTION OF JURISDICTION

8.1 Retention of Jurisdiction.

Notwithstanding the occurrence of the Effective Date and the termination of the Rehabilitation Proceeding, the Court shall have exclusive jurisdiction over all matters arising out of or related to the Rehabilitation Proceeding and the interpretation, implementation or enforcement of the Plan, including jurisdiction to:

(a) consider Claims and Equity Interests, Objections and FGIC Claim Determinations with respect thereto, and the approval, characterization, compromise, estimation or payment of Claims and Equity Interests, in each case to the extent such consideration involves the interpretation, implementation or enforcement of the Plan;

(b) enter, implement or enforce such orders and injunctions as are necessary to enforce FGIC's respective title, rights and powers, and the terms of the Plan, including as may be appropriate if the Plan Approval Order is for any reason stayed, reversed, revoked, modified or vacated, and to impose such limitations, restrictions, terms and conditions on such title, rights and powers as the Court deems necessary;

(c) take any action and issue such orders as may be necessary to enforce, implement, execute, consummate or maintain the integrity of the Plan, the Plan Approval Order or any other order of the Court, and determine all controversies, suits and disputes that may arise in connection with the foregoing;

(d) recover all assets and property of FGIC, wherever located, including determining whether any assets or property are properly considered assets or property of FGIC;

(e) correct any defect, cure any omission, or reconcile any inconsistency in the Plan or in any order of the Court, including the Plan Approval Order;

(f) hear and determine disputes or issues arising in connection with the interpretation, implementation or enforcement of the Plan or any order of the Court, including the Plan Approval Order;

(g) determine any and all motions, applications, and other contested matters that may be pending before the Court on the Effective Date;

(h) consider any amendments to or modifications of the Plan or any exhibit thereto;

(i) ensure that all Persons (including FGIC) comply with the Plan;

(j) hear and determine disputes or issues arising in connection with FGIC taking any action to declare a Policy Crystallization Event pursuant to Section 2.1 of the Restructured Policy Terms;

(k) interpret, enforce and determine all questions and disputes regarding the injunctions, releases, exculpations, and indemnifications provided for in the Plan, the Plan Approval Order or the NYIL; and

(l) determine such other matters or proceedings as may be provided for under Article 74 of the NYIL, the Plan or in any order of the Court, including the Plan Approval Order or any order that may arise in connection with the Plan, the Rehabilitation Proceeding or the Plan Approval Order.

For purposes of clarity, this Section 8.1 shall not apply with respect to judicial proceedings seeking instructions regarding the administration or interpretation of a trust or its related Transaction Documents, or the trustee's duties thereunder, as long as such instructions do not involve the interpretation, implementation or enforcement of the Plan.

ARTICLE IX.

MISCELLANEOUS

9.1 Binding Effect.

The Plan shall be binding on FGIC, the holders of all Claims, the holders of Equity Interests, all other Persons and each of their respective successors and assigns, and shall apply from and after the Effective Date. No Person shall have any Claim or right against FGIC or its assets other than as provided in the Plan.

9.2 Treatment in Subsequent Article 74 Proceeding.

Nothing in the Plan shall in any manner restrict actions that may be taken by any rehabilitator, liquidator or other receiver of FGIC in any subsequent proceeding under Article 74 of the NYIL.

9.3 Modification.

From and after the Effective Date, only the NYSDFS may modify the Plan and only to the extent it determines necessary for the fair and equitable treatment of Policyholders in general; *provided, however*, that the NYSDFS shall obtain prior Court approval for any material modification.

9.4 No Admissions.

As to Causes of Action or threatened Causes of Action, the Plan shall not constitute or be construed as an admission of any fact or liability, stipulation or waiver, but rather as a statement made in settlement negotiations. The Plan shall not be construed to be conclusive advice on the tax, securities and other legal effects of the Plan as to holders of Claims or Equity Interests.

9.5 Notice to NYSDFS.

After the Effective Date, if FGIC or any Person requests that the Court hear any matter arising out of, or related to, the Rehabilitation Proceeding or the Plan, FGIC, upon making such request or receiving notice of such a request, shall promptly provide notice thereof in writing to the NYSDFS.

9.6 Notice to FGIC.

After the Effective Date, if FGIC fails to comply with any of the provisions of the Plan or any FGIC Contract or Transaction Document, as modified by the Plan (as applicable), before taking any action with respect to such noncompliance, the affected Person shall provide notice to FGIC of such noncompliance and shall give FGIC the longer of (i) five (5) Business Days following FGIC's receipt of such notice and (ii) the period set forth in the applicable FGIC Contract or Transaction Document (if any) to cure any noncompliance by FGIC of an obligation it has under the Plan or such FGIC Contract or Transaction Document.

9.7 Notices.

All notices, Proofs of Claim, requests, demands, Responses and other documents required or permitted to be provided under the Plan to be effective shall be in writing and, unless otherwise expressly provided herein, shall be deemed given or made when actually delivered to the following addresses:

If to the Rehabilitator:

New York Liquidation Bureau
110 William Street
New York, NY 10038
Attn: Special Deputy Superintendent
Facsimile No.: 212-341-6714

with a copy to:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, NY 10153
Attn: Gary T. Holtzer
Joseph T. Verdesca
Facsimile No.: 212-310-8007

If to FGIC:

Financial Guaranty Insurance
Company
125 Park Avenue
New York, NY 10017
Attn: General Counsel
Facsimile No.: 212-312-3221

If to NYSDFS:

New York State Department of
Financial Services
One State Street
New York, NY 10004
Attn: General Counsel
Facsimile No.: 212-709-1655

9.8 Incorporation.

All exhibits to the Plan and the Plan Supplement are incorporated into the Plan by this reference and are a part of the Plan as if set forth in full herein.

9.9 Headings.

The headings contained in the Plan and any Exhibit hereto, in the table of contents to the Plan, and in the Plan Supplement are for reference purposes only and shall not affect in any way the meaning or interpretation of the Plan.

9.10 Governing Law.

The Plan and all Causes of Action that may be based on, arise out of or relate to the Plan or the negotiation, execution or performance of the Plan, shall be governed by and construed in accordance with the laws of the State of New York without giving effect to the choice of law principles of the State of New York that would require or permit the application of laws of another jurisdiction.

9.11 Severability.

Without limiting the ability of the NYSDFS to modify the Plan pursuant to Section 9.3 hereof, if any provision of the Plan is determined by any court of competent jurisdiction to be unenforceable on its face, such provision shall be deemed deleted and such a determination of unenforceability shall not limit or affect the enforceability and operative effect of any other provision of the Plan; *provided, however*, that the NYSDFS may revoke the Plan, subject to Court approval, if the NYSDFS determines that the provision of the Plan that is determined by a court of competent jurisdiction to be unenforceable on its face is so material to the Plan that the Rehabilitator would have withdrawn the Plan had such determination been made prior to the Effective Date. If the NYSDFS revokes the Plan pursuant to the preceding sentence, then the Plan shall be null and void and, in such event, nothing contained herein shall be deemed to constitute a waiver or release of any claims by or against FGIC or any other Person, or to prejudice in any manner the rights of FGIC or any other Person in any further proceedings involving FGIC.

9.12 Inconsistency; Prior Orders.

In the event of any inconsistency between the Plan and the Disclosure Statement, the provisions of the Plan shall govern. With respect to periods from and after the Effective Date, the Plan and Plan Approval Order shall supersede the Order of Rehabilitation and the Order to Show Cause, both of which shall remain in effect with respect to their respective periods prior to the Effective Date.

9.13 Rounding.

Any amount payable by FGIC pursuant to the Plan shall be rounded up to end with the next highest whole cent.

9.14 Interpretation; Application of Definitions and Rules of Construction.

For purposes of the Plan (including all Exhibits thereto), capitalized terms not defined herein (or therein) shall have the meaning ascribed to them in Exhibit A of the Plan.

Unless otherwise specified, all Section or Exhibit references in the Plan are to the respective Section in, or Exhibit to, the Plan. The words "herein," "hereof," "hereto," "hereunder," and other words of similar import refer to the Plan as a whole and not to any particular section, subsection, or clause contained therein. Whenever the words "include," "includes" or "including" are used in the Plan, they are deemed to be followed by the words "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." The word "or" shall be construed to have the same meaning as and effect as the inclusive term "and/or." The word "extent" in the phrase "to the extent" shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply "if." Unless otherwise specified, all references to "days" (other than "Business Days") shall mean calendar days. A term used herein that is not defined herein shall have the meaning ascribed to that term in the NYIL. Words denoting the singular number shall include the plural number and vice versa, as appropriate, and words denoting one gender shall include the other gender and the neuter and words denoting the neuter shall include any applicable gender. Unless otherwise provided herein, in the event that a particular term of the Plan (including any exhibits hereto) conflicts with a particular term of the definitive documentation required to be implemented pursuant to the terms of the Plan or any settlement or other agreement contemplated hereunder, the definitive documentation shall control and shall be binding on the parties thereto only if the definitive documentation expressly states that the terms thereof control over any terms of the Plan. Unless the context requires otherwise, any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth therein).

Any reference in the Plan to FGIC taking any action during the Rehabilitation Proceeding shall be deemed to refer to the Rehabilitator, as receiver of FGIC, if such action is taken prior to the Effective Date.

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9.15 Entire Plan.

The Rehabilitator intends that all the terms set forth in this Plan constitute a complete, final and exclusive expression of the Plan and supersede any prior or contemporaneous oral or written agreements, drafts, proposed agreements, negotiations and discussions with respect to the subject matter hereof. Prior drafts of this Plan (whether or not filed with the Court) or the fact that any clauses have been added, deleted or otherwise modified from any prior drafts of this Plan shall not be used as an aide of construction or otherwise constitute evidence of the intent of this Plan; and no presumption or burden of proof shall arise favoring or disfavoring any person by virtue of such prior drafts.

Dated: June 4, 2013
New York, New York



Peter A. Giacone
*Chief Financial Officer and Agent of the
Superintendent of Financial Services of the
State of New York, as Rehabilitator of
Financial Guaranty Insurance Company*

Exhibit A

Definitions

DEFINITIONS

For purposes of the Plan (including all exhibits thereto) the following terms shall have the meanings set forth below.

"1310 Order" means that certain order issued by the New York Insurance Department on November 24, 2009 pursuant to Section 1310 of the NYIL, as supplemented on March 25, 2010.

"Adjusted CPP" means, as of a date of determination, the CPP, after giving effect to all CPP Adjustments through and including such date.

"Adjusted FGIC Payments" has the meaning ascribed to such term in Section 1.4(B) of the Restructured Policy Terms.

"Administrative Expense Claim" means any Claim (i) for actual and necessary costs and expenses of administration incurred by the Rehabilitator during the Rehabilitation Proceeding or (ii) for indemnification pursuant to Section 7.5 of the Plan, to the extent that such Claim for indemnification arises on or after the date of the Order of Rehabilitation.

"Admitted Assets" has the meaning ascribed to such term in Section 1301 of the NYIL.

"Aggregate Cash Payments Amount" means, with respect to a Policy as of a date of determination, the sum of (i) the aggregate amount paid in Cash by FGIC with respect to such Policy (other than any DPO Accretion Payment Amount) from and after the Effective Date through such date and (ii) the aggregate amount of Deemed Cash Payments with respect to such Policy through such date.

"Aggregate Claims Amount" means, with respect to a Policy on a date of determination, the amount of all Permitted Policy Claims under such Policy as to which one or more Cash payments or Deemed Cash Payments have been made by FGIC on or prior to such date.

"Aggregate DPO Accretion Amount" means the sum of the DPO Accretion Amounts for all Policies as of the date of determination.

"Alternative Resolution" has the meaning ascribed to such term in Section 4.8 of the Plan.

"Bankruptcy Case" has the meaning ascribed to such term in Section 7.8 of the Plan.

"Bankruptcy Case Claim Action" has the meaning ascribed to such term in Section 7.8 of the Plan.

"Bankruptcy Code" has the meaning ascribed to such term in Section 7.8 of the Plan.

"Bar Date" has the meaning ascribed to such term in Section 4.4(A) of the Plan.

“Base Scenario” means FGIC’s then-current expectation of future Claims, investment performance, recoveries, financial markets and other factors of relevance to CPP Revaluations based on circumstances, events and projections that FGIC anticipates are reasonably likely to occur.

“Board” means the board of directors of FGIC following the Effective Date.

“Business Day” means any day other than a Saturday, a Sunday, or any other day on which banking institutions in New York, New York are required or authorized to close by law or executive order.

“Cash” means (i) legal tender of the United States of America payable in immediately available funds, such as a wire transfer, bank or cashier’s check and (ii) with respect to payment under a Policy, the currency required for payments under and pursuant to such Policy, or if no currency is specified in such Policy, legal tender of the United States of America.

“Causes of Action” means, without limitation, any and all claims, rights, actions, demands, proceedings, causes of action, liabilities, obligations, suits, debts, remedies, dues, sums of money, accounts, defenses, affirmative defenses, rights of setoff, offset, powers, privileges, licenses, franchises, third-party claims, counterclaims, cross-claims, actions for declaratory or injunctive relief, suits and other rights of recovery, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages or judgments against or with respect to any Person or property, wherever located, of any nature whatsoever, whether known or unknown, suspected or unsuspected, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, secured or unsecured, foreseen or unforeseen, asserted or unasserted or pending as of the Effective Date, whether direct, indirect, derivative or on any other basis, whether existing or hereafter arising, whether arising in whole or in part prior to, on or after the date of the Order of Rehabilitation, based in whole or in part upon any act or omission or other event occurring prior to the date of the Order of Rehabilitation or during the course of the Rehabilitation Proceeding or thereafter, in contract or in tort, at law or in equity, whether pursuant to any federal, state, local, statutory or common law or any other law, rule or regulation, or under any theory of law or equity, including any available: (i) rights of setoff, counterclaim, recoupment, replevin or reclamation, or claims on contracts or for breaches of duties imposed by law, and (ii) claims, causes of action or defenses against any Person, including for intentional or negligent misrepresentation, fraud, mistake, duress and usury, breach of fiduciary duty, malpractice, negligence, breach of contract, wrongful distribution, aiding and abetting or inducement.

“CDS” means a credit default swap.

“CDS Commutation Agreements” means the commutation, termination, settlement and/or release agreements contained in the Plan Supplement or otherwise approved by the Court prior to the Effective Date.

“CEO” means the Chief Executive Officer of FGIC.

“Claim” means (i) any right to payment from FGIC, whether or not such right is known or unknown, reduced to judgment, liquidated, unliquidated, fixed, contingent, matured,

unmatured, disputed, undisputed, legal, equitable, secured or unsecured, and regardless of when such right arises or (ii) any right to an equitable remedy against FGIC for breach of performance if such breach gives rise to a right of payment, whether or not such right to an equitable remedy is known or unknown, reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured, and regardless of when such right arises.

"Claims Resubmission Deadline" has the meaning ascribed to such term in Section 4.3(A) of the Plan.

"Court" means the Supreme Court of the State of New York, New York County, or any appellate court having jurisdiction over orders or judgments of the Supreme Court of the State of New York, New York County.

"CPP" means, as of a date of determination, the Cash payment percentage for Permitted Policy Claims in effect as of such date.

"CPP Adjustment" means any CPP Upward Adjustment or CPP Downward Adjustment.

"CPP Downward Adjustment" has the meaning ascribed to such term in Section 1.5(C) of the Restructured Policy Terms.

"CPP Revaluation" has the meaning ascribed to such term in Section 1.5 of the Restructured Policy Terms.

"CPP Revaluation Filing" has the meaning ascribed to such term in Section 1.5(C) of the Restructured Policy Terms.

"CPP Revaluation Firm" has the meaning ascribed to such term in Section 1.5(B) of the Restructured Policy Terms.

"CPP Upward Adjustment" has the meaning ascribed to such term in Section 1.5(C) of the Restructured Policy Terms.

"Debtor" has the meaning ascribed to such term in Section 7.8 of the Plan.

"Deemed Cash Payments" means, for any Policy, any Cash payments that would have been paid at any time by FGIC in respect of such Policy (other than any DPO Accretion Payment Amount) but for the existence of one or more unpaid FGIC Payments.

"Disclosure Statement" means the Disclosure Statement for Plan of Rehabilitation for Financial Guaranty Insurance Company filed with the Court on September 27, 2012, including all exhibits thereto, as the same may be revised, supplemented or otherwise modified from time to time.

"Disputed Claim" means solely that portion of a Claim as to which (i) an Objection is raised, which has not been resolved or withdrawn or (ii) a FGIC Claim Determination is made, which has not been resolved, withdrawn or overruled by a Final Order.

“DPO” means, with respect to a Policy as of a date of determination, an amount, as may be adjusted pursuant to the Plan, equal to the Aggregate Claims Amount minus the Aggregate Cash Payments Amount, in each case for such Policy as of such date.

“DPO Accretion” has the meaning ascribed to such term in Section 1.3(A) of the Restructured Policy Terms.

“DPO Accretion Amount” means the aggregate amount of DPO Accretion accrued with respect to a Policy prior to the date of determination minus any DPO Accretion Payment Amounts previously paid with respect to such Policy.

“DPO Accretion Payable Amount” means, as of the date of determination, the product of (i) Excess Cash and (ii) the DPO Accretion Payable Percentage.

“DPO Accretion Payable Percentage” means, as of the date of determination, the percentage obtained by dividing (i) the Aggregate DPO Accretion Amount as of such date by (ii) the sum of (a) the Aggregate DPO Accretion Amount as of such date, (b) the DPO for Policy Claims that were Permitted on or prior to such date and (c) the DPO for Policy Claims projected to be Permitted in a Stress Scenario after such date through the remainder of the Run-Off Period.

“DPO Accretion Payment Amount” means, with respect to a Policy as of the date of determination, the product of (i) the then-current DPO Accretion Payable Amount and (ii) the quotient obtained by dividing the then-current DPO Accretion Amount for such Policy by the then-current Aggregate DPO Accretion Amount.

“DPO Payment Date” means the tenth (10th) Business Day following any date on which a CPP Upward Adjustment shall become effective.

“Duplicate Claim” means a Claim that, in whole or in part, is the subject of another Claim previously submitted to FGIC, including a Policy Claim for which the payment obligation of FGIC under the provisions of the underlying Instrument or contract giving rise to such Claim or the underlying risk of loss insured pursuant to the provisions of the FGIC Contract or Transaction Document giving rise to such Claim, in whole or in part, is the subject of another Claim previously submitted to FGIC and including an Undercollateralization Claim or any portion thereof that has already been submitted to FGIC as part of another Undercollateralization Claim.

“Effective Date” means the first Business Day on which all conditions to effectiveness set forth in Section 6.1 of the Plan have been satisfied or have been waived pursuant to Section 6.3 of the Plan.

“Equalization Adjustment” has the meaning ascribed to such term in Section 1.5(C) of the Restructured Policy Terms.

“Equity Interests” means the interests of any holders of equity securities of FGIC represented by any issued and outstanding shares of stock or other Instrument evidencing any ownership interest in FGIC, whether or not transferable, or any option, warrant, or right,

contractual or otherwise, to acquire such interest. For the avoidance of doubt, Equity Interests shall include all classes and types of stock, including the Preferred Stock, issued by FGIC.

“Estimated Payment Obligations” has the meaning ascribed to such term in Section 2.2 of the Restructured Policy Terms.

“Estimated Payment Schedule” has the meaning ascribed to such term in Section 2.2 of the Restructured Policy Terms.

“Excess Cash” means, as of the date of determination, the amount of Cash calculated in connection with a CPP Revaluation that would be available after accounting for, without limitation, (i) the Cash needed to make payments based on the then-current CPP with respect to all Policy Claims that were (a) Permitted on or prior to such date and (b) projected to be Permitted in a Stress Scenario from and after such date through the remainder of the Run-Off Period, (ii) certain operating expenses and (iii) the Minimum Cash Buffer, to make payments with respect to (x) the Aggregate DPO Accretion Amount as of such date, (y) the DPO for Policy Claims that were Permitted on or prior to such date and (z) the DPO for Policy Claims projected to be Permitted in a Stress Scenario from and after such date through the remainder of the Run-Off Period.

“Excess Payment” means, for any Policy, the portion, if any, of a payment made by a FGIC Payment Payor to the FGIC Parties pursuant to any related Transaction Document after the date of the Order of Rehabilitation and prior to the Effective Date that does not constitute a FGIC Payment (giving effect to the initial CPP).

“Exculpated Causes of Action” has the meaning ascribed to such term in Section 7.3 of the Plan.

“Exculpated Parties” has the meaning ascribed to such term in Section 7.3 of the Plan.

“FGIC” means Financial Guaranty Insurance Company, a New York stock insurance corporation.

“FGIC Claim Determination” has the meaning ascribed to such term in Section 4.6 of the Plan.

“FGIC Claims” has the meaning ascribed to such term in Section 7.8 of the Plan.

“FGIC Contract” means any Policy, contract or other Instrument to which the FGIC Parties are parties or by which the FGIC Parties are bound.

“FGIC Corp.” means FGIC Corporation, a Delaware corporation.

“FGIC Corp. Chapter 11 Case” means the case under chapter 11 of title 11 of the United States Code commenced by FGIC Corp. on August 3, 2010, in the United States Bankruptcy Court for the Southern District of New York and styled *In re FGIC Corporation*, chapter 11 case No. 10-14215 (SMB), together with any Legal Proceeding brought (or sought to

be brought) at any time by any Person that relates in any manner to such chapter 11 case, in each case together with any appeals thereto.

“FGIC Corp. Court” means the United States Bankruptcy Court for the Southern District of New York or any other court of the United States having jurisdiction over the FGIC Corp. Chapter 11 Case.

“FGIC Corp. Plan” means the Chapter 11 Plan of Reorganization of FGIC Corporation confirmed by the FGIC Corp. Court on April 23, 2012.

“FGIC CP” means FGIC Credit Products LLC, a Delaware limited liability company.

“FGIC Direct Claim” means any and all Causes of Action relating in any manner to any Instrument, Transaction Document or Policy that FGIC at any time may have, is pursuing or may pursue, in each case on its own behalf (and not on behalf of any trust), including (i) the Causes of Action asserted in the pending RMBS lawsuits listed on **Exhibit C** of the Plan, (ii) any Cause of Action as third party beneficiary or pursuant to a direct Cause of Action it may have under a FGIC Contract or Transaction Document and (iii) other Causes of Action of a similar nature that FGIC has already brought or asserted, or may in the future bring or assert, on its own behalf against any Person (and not on behalf of any trust).

“FGIC Expense Reimbursements” means, for any Policy, the out of pocket expenses incurred by FGIC for which it is entitled to reimbursement under such Policy or any related Transaction Document; *provided, however*, that FGIC Expense Reimbursements shall not include expenses incurred by FGIC or the Rehabilitator in connection with the Rehabilitation Proceeding or the Plan. Notwithstanding the foregoing, the term “FGIC Expense Reimbursements” shall not include out of pocket expenses incurred by FGIC in connection with the pursuit of FGIC Direct Claims. To the extent FGIC incurs out of pocket expenses (for which it is entitled to reimbursement under a Policy or related Transaction Document) in connection with the pursuit of both FGIC Direct Claims and other claims, then such expenses shall be apportioned by FGIC in good faith and only the expenses apportioned to non-FGIC Direct Claims shall be included in the definition of “FGIC Expense Reimbursements.”

“FGIC Parties” means FGIC and/or FGIC CP.

“FGIC Payment Deficiency” has the meaning ascribed to such term in Section 1.4(B) of the Restructured Policy Terms.

“FGIC Payment Excess” has the meaning ascribed to such term in Section 1.4(B) of the Restructured Policy Terms.

“FGIC Payment Payor” means (i) with respect to any Policy for which the Policy Payee thereunder is acting as trustee or in a similar capacity (a) the Policy Payee, (b) any other Person acting under the direction, supervision or administration of such Policy Payee and (c) the obligor or obligors under such Policy or related Transaction Documents on whose behalf such Policy Payee is required to make FGIC Payments relating to such Policy or (ii) for any other Policy, the Policy Payee thereunder.

“FGIC Payments” means, for any Policy, (i) all Pre-Rehabilitation FGIC Premiums, Expenses, and Recoveries, (ii) all Post-Rehabilitation FGIC Premiums and Expenses, and (iii) the then-current CPP multiplied by the amount of all Post-Rehabilitation FGIC Recoveries. Notwithstanding the foregoing, neither the term “FGIC Payments” nor the term “Post-Rehabilitation FGIC Recoveries” shall include (A) any of the foregoing to the extent arising solely under FGIC Direct Claims, including amounts arising under FGIC Direct Claims that are received by a trust, Policyholder or FGIC Payment Payor, which amounts to the extent received by a trust, Policyholder or FGIC Payment Payor shall be payable or otherwise remittable in accordance with the terms and conditions of the relevant Transaction Documents and, to the extent so received on or after the date of the Order of Rehabilitation, as if (i) the Plan, including the Policy Restructuring and Section 3.5 of the Plan, had been in effect at all times and (ii) FGIC had at all times paid Policy Claims in full in Cash or (B) any amounts to the extent that receipt by FGIC of such amounts at the time of distribution would, in light of proceeds of FGIC Direct Claims that FGIC had then already received, constitute a duplicative recovery by FGIC of an amount that has already been reimbursed to FGIC. Solely for the purposes of determining whether there is any such duplicative recovery, FGIC will allocate any proceeds, net of its expenses, that FGIC actually receives from FGIC Direct Claims to each Policy from which the FGIC Direct Claim arose pro rata based on the aggregate amount of FGIC’s actual and projected life-time claims under those Policies, except to the extent inconsistent with an allocation provided in a court order awarding damages in respect of a FGIC Direct Claim, in which case the court ordered allocation applies.

“FGIC Rights” has the meaning ascribed to such term in Section 7.8(e) of the Plan.

“Final CPP Revaluation” has the meaning ascribed to such term in Section 1.5(E) of the Restructured Policy Terms.

“Final Order” means an order or judgment of a court of competent jurisdiction entered on the docket maintained by the clerk of such court that has not been reversed, vacated or stayed and as to which (i) the time to appeal, petition for *certiorari* or move for a new trial, reargument or rehearing has expired and as to which no appeal, petition for *certiorari* or other proceedings for a new trial, reargument or rehearing shall then be pending, or (ii) if an appeal, writ of *certiorari*, new trial, reargument or rehearing thereof has been sought, (a) such order or judgment shall have been affirmed by the highest court to which such order was appealed, leave to appeal or *certiorari* shall have been denied or a new trial, reargument or rehearing shall have been denied or resulted in no modification of such order or otherwise been dismissed with prejudice, and (b) the time to take any further appeal, petition for *certiorari*, or move for a new trial, reargument or rehearing shall have expired; *provided, however*, that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, Rule 5015 of the New York Civil Practice Law and Rules, or any analogous rule, may be filed relating to such order shall not prevent such order from being a Final Order.

“First Payment Date” has the meaning ascribed to such term in Section 1.3(A) of the Restructured Policy Terms.

“Governmental Body” means any government or governmental or regulatory body thereof, or political subdivision thereof, whether foreign, federal, state or local, or any agency, instrumentality or authority thereof, or any court or arbitrator (public or private).

“Indemnified Trustee” means any of (i) a Trustee or any other indenture trustee (or other similar trustee) who is the named insured in respect of a Policy issued by FGIC, (ii) a trustee who holds a security interest in a Policy issued by FGIC, or (iii) a trustee of a trust which has issued Instruments that have the benefit of a Policy issued by FGIC; *provided*, that a trustee in respect of an Instrument constituting a reference obligation under a swap agreement between a holder of such Instrument and FGIC CP, with respect to which swap agreement the obligations of FGIC CP thereunder are insured by a Policy issued by FGIC, shall not be considered an “Indemnified Trustee” by virtue of such arrangement.

“Initial Payment Date” has the meaning ascribed to such term in Section 1.1(B) of the Restructured Policy Terms.

“Instrument” means a single class of securities, obligations or other instruments.

“Late-Filed Claim” means a Claim that (i) has not been submitted in compliance with the applicable deadline for asserting such Claim set forth in the Plan and (ii) if a Policy Claim and if paid in accordance with Section 4.7(E) of the Plan, could reasonably be expected to interfere with FGIC’s ability to operate in accordance with the Run-Off Principles, including its ability to ensure that all holders of Permitted Policy Claims (whenever arising) receive the same CPP of their Permitted Policy Claims.

“Legal Proceeding” means any judicial, administrative or arbitral action, suit, mediation, investigation, inquiry, proceeding or claim (including counterclaims) by or before any Governmental Body.

“Loss” means any liability, obligation, loss, cost, expense, penalty or fine whenever arising or incurred (including amounts paid in settlement, costs of investigation and reasonable attorneys’ and other professionals’ fees and expenses).

“Minimum Cash Buffer” means, as of a date of determination, an amount equal to the greater of (i) 1% of Policy Claims projected to be Permitted in a Stress Scenario and (ii) \$100 million, as may be amended pursuant to the provisions of Section 1.5 of the Restructured Policy Terms.

“Minimum Surplus Position” means, as of a date of determination, the greater of (i) \$65 million and (ii) the minimum amount of statutory capital and surplus required to be held by New York domiciled financial guaranty insurance companies licensed to transact only financial guaranty insurance under the NYIL as of such date.

“National Public” means National Public Finance Guarantee Corporation, a New York stock insurance corporation.

“Non-FGIC Payor” has the meaning ascribed to such term in Section 4.7(B) of the Plan.

“Non-Policy Claim” means any Claim other than an Administrative Expense Claim, a Late-Filed Claim, a Policy Claim or a Secured Claim.

“Novation Agreement” means that certain agreement dated September 14, 2012 by and between FGIC and National Public.

“NYIL” means Chapter 28 of the Consolidated Laws of the State of New York.

“NYLB” means the New York Liquidation Bureau.

“NYSDFS” means the New York State Department of Financial Services.

“NYSDFS Guidelines” means any written guidelines or further directions posted on the Policyholder Information Center the NYSDFS may (but is not obligated to) issue from and after the Effective Date as may be necessary or appropriate in its sole and absolute discretion to carry out the purposes and effects of the Plan.

“Objection” has the meaning ascribed to such term in Section 4.6 of the Plan.

“Objection Deadline” has the meaning ascribed to such term in Section 4.6 of the Plan.

“Order of Rehabilitation” means the order of rehabilitation placing FGIC into the Rehabilitation Proceeding signed by the Honorable Doris Ling-Cohan of the Court on June 28, 2012.

“Order to Show Cause” means the order to show cause signed by the Honorable Doris Ling-Cohan of the Court on June 11, 2012 in the Rehabilitation Proceeding.

“Overpaid Policy” has the meaning ascribed to such term in Section 1.5(C) of the Restructured Policy Terms.

“Permitted” means, with respect to a Claim or any portion thereof, as applicable, determined by FGIC pursuant to the Plan (including the reconciliation procedures set forth in Section 4.6 of the Plan) or by Final Order to be allowed, but solely to the extent of the amount determined to be allowed.

“Person” means an individual, partnership, corporation, limited liability company, cooperative, trust, estate, unincorporated organization, association, joint venture, government unit or agency or political subdivision thereof or any other form of legal entity or enterprise.

“Plan” means the First Amended Plan of Rehabilitation for Financial Guaranty Insurance Company, dated June 4, 2013, including all Exhibits thereto (including the Restructured Policy Terms) and the documents contained in the Plan Supplement, in each case, as the same may be revised, supplemented or otherwise modified from time to time.

“Plan Approval Order” means an order of the Court approving the Plan in form and substance acceptable to the Rehabilitator in his sole discretion.

“Plan Supplement” means the set of documents filed with the Court in one or more compendiums, which are relevant to implementation of the Plan, including (a) forms of amended and restated charter and by-laws of FGIC, (b) the Schedule of Terminated Contracts and Leases, (c) the CDS Commutation Agreements (terms and conditions of which may be redacted in the copies so filed), (d) the Novation Agreement and (e) the Proof of Policy Claim Form.

“Policy” means any financial guaranty insurance policy, surety bond or other insurance policy or contract issued or assumed at any time by FGIC, but excluding in all cases reinsurance and retrocession contracts.

“Policy Claim” means any Claim under the express terms of a Policy, whether arising (or projected to arise) prior to, on or at any time after the Effective Date, for losses incurred.

“Policy Crystallization Event” has the meaning ascribed to such term in Section 2.1 of the Restructured Policy Terms.

“Policy Crystallization Event Effective Date” has the meaning ascribed to such term in Section 2.1 of the Restructured Policy Terms.

“Policy Crystallization Event Notice” has the meaning ascribed to such term in Section 2.1 of the Restructured Policy Terms.

“Policyholder” means for each Policy the holder of such Policy as set forth therein.

“Policyholder Information Center” shall mean FGIC’s website (www.fgic.com), www.fgicrehabilitation.com or such other means of making available to Policyholders information and documentation regarding the Plan and treatment of Policies and Policy Claims thereunder as the NYSDFS may from time to time approve.

“Policy Payee” means, with respect to any Policy, the Person to whom FGIC is contractually obligated to make any payment of Claims under such Policy; *provided* that the term “Policy Payee” shall refer to such Person solely in its capacity as the recipient of such payment of Claims from FGIC with respect to such Policy.

“Policy Restructuring” means the restructuring of Policies contemplated by Section 3.1 of the Plan.

“Post-Rehabilitation FGIC Premiums and Expenses” means, for any Policy, all (i) premiums, fees, or other charges and (ii) FGIC Expense Reimbursements, in each case payable or otherwise remittable to the FGIC Parties and falling due on or after the date of the Order of Rehabilitation under the terms (including terms that establish a priority of distribution) of or in connection with such Policy or any related Transaction Document, assuming for purposes of determining the amounts so payable or otherwise remittable that (x) the Plan, including the Policy Restructuring and Section 3.5 of the Plan, had been in effect at all times and (y) FGIC had at all times paid Policy Claims in full in Cash.

“Post-Rehabilitation FGIC Recoveries” means, for any Policy, all recoveries, reimbursements, settlements and other amounts, in each case payable or otherwise remittable to

the FGIC Parties and falling due on or after the date of the Order of Rehabilitation (other than proceeds of Trust Loan Repurchase Obligations, which shall be subject to application and distribution solely in accordance with Sections 3.7(a)(iii) and 3.7(b)(iv) of the Plan) under the terms (including terms that establish a priority of distribution) of or in connection with such Policy or any related Transaction Document, assuming for purposes of determining the amounts so payable or otherwise remittable that (x) the Plan, including the Policy Restructuring and Section 3.5 of the Plan, had been in effect at all times and (y) FGIC had at all times paid Policy Claims in full in Cash.

“Preferred Stock” means the non-cumulative redeemable preferred stock, par value \$1,000 per share, of FGIC.

“Pre-CPP Adjustment Period” has the meaning ascribed to such term in Section 1.4(B) of the Restructured Policy Terms.

“Pre-Rehabilitation FGIC Premiums, Expenses, and Recoveries” means, for any Policy, all (i) premiums, fees, or other charges, (ii) FGIC Expense Reimbursements, and (iii) recoveries, reimbursements, settlements and other amounts, in each case payable or otherwise remittable to the FGIC Parties and falling due prior to the date of the Order of Rehabilitation under the terms (including terms that establish a priority of distribution) of or in connection with such Policy or any related Transaction Document and without giving any effect to the Plan, including the Policy Restructuring and Section 3.5 of the Plan.

“Proof of Claim” means a written statement asserting a Claim (other than a Policy Claim) that contains, among other things, the amount of the Claim and a description of the Claim, and attaches sufficient documentation to substantiate the basis of the Claim.

“Proof of Policy Claim Form” means the proof of policy claim form that will be filed as part of the Plan Supplement.

“Proposed Refinements” has the meaning ascribed to such term in Section 1.5(B) of the Restructured Policy Terms.

“Purported FGIC Loss of Rights” has the meaning ascribed to such term in Section 2.1 of the Restructured Policy Terms.

“Purported FGIC Loss of Rights Notice” has the meaning ascribed to such term in Section 2.1 of the Restructured Policy Terms.

“Rehabilitation” means the rehabilitation of FGIC pursuant to Article 74 of the NYIL as contemplated by the Plan, including (i) the commencement, prosecution and completion of the Rehabilitation Proceeding, (ii) the Policy Restructuring, the CDS Commutation Agreements, the Novation Agreement and other actions contemplated by, and other terms and conditions of, the Plan, (iii) the issuance of the Plan Approval Order, (iv) the granting of the injunctive relief set forth in the Order to Show Cause, the Order of Rehabilitation, and the Plan Approval Order, (v) the occurrence of the Effective Date, (vi) FGIC’s compliance with the Policies as restructured by the Policy Restructuring (including FGIC’s payment of only the CPP on each Permitted Policy Claim pursuant to the Plan, and on the timing and subject to the other terms and

conditions set forth in the Plan, rather than amounts that would otherwise be payable, on the timing and subject to the terms and conditions that would otherwise be required, under the Policies but for the Policy Restructuring) and (vii) FGIC's noncompliance with any provision of any Policy or any Transaction Document to the extent that such provision has been superseded by or is inconsistent with the Plan.

"Rehabilitation-Related Default" means any default, event of default, termination event, insurer default or similar event with respect to the FGIC Parties arising (or that would arise but for the passing of time, the giving of notice or both) as a result of the Rehabilitation or any of the Rehabilitation Circumstances.

"Rehabilitation-Triggered Right" means any right or remedy under any Transaction Document that arises as a result of any Rehabilitation-Related Default.

"Rehabilitation Circumstances" means the circumstances and events, whenever arising, giving rise to the Rehabilitation Proceeding or in existence from and after, or giving rise to or at any time resulting from, issuance of the 1310 Order, including (i) the financial condition of the FGIC Parties, (ii) the grounds for the Rehabilitation Proceeding described in the Disclosure Statement, (iii) actions taken or statements made by the FGIC Parties, the NYSDFS, the Superintendent, the NYLB or any other Person in connection with or in contemplation of the 1310 Order or the Rehabilitation Proceeding, (iv) any ratings downgrade of FGIC or any affiliate thereof, (v) any failure by the FGIC Parties to pay any amount (whether due prior to the 1310 Order, the injunctive relief in the Order to Show Cause or the Order of Rehabilitation, or otherwise) and (vi) the issuance and existence of the 1310 Order.

"Rehabilitation Proceeding" means the legal proceeding currently pending before the Court governing the rehabilitation of FGIC, styled as *In the Matter of the Rehabilitation of Financial Guaranty Insurance Company*, Index No. 401265/2012, together with any appeals thereto.

"Rehabilitator" means the Superintendent of Financial Services of the State of New York, as Court-appointed rehabilitator of FGIC.

"Reinsurance Agreements" means all reinsurance and retrocession agreements (including any and all amendments, endorsements and other modifications thereof) in effect as of the Effective Date pursuant to which FGIC has at any time prior to the Effective Date ceded any risk under or relating to any Policies to any third party.

"Released Causes of Action" has the meaning ascribed to such term in Section 7.2 of the Plan.

"Representatives" has the meaning ascribed to such term in Section 7.2 of the Plan.

"Requisite Holders" means, with respect to any transaction, (i) holders of not less than the percentage of Instruments required under the express terms of the relevant Transaction Documents to direct the Trustee in such transaction to take action or (ii) in the absence of such an express percentage in such Transaction Documents, holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of such Instruments, in each case for the

purposes of determining the percentage of holders, any holders that are (x) the loan originator, other responsible party or Servicer for the applicable transaction, (y) FGIC or (z) any affiliates of any of the foregoing, shall not be included in any calculation as being holders of Instruments of such transaction.

“**Response**” has the meaning ascribed to such term in Section 4.6 of the Plan.

“**Response Deadline**” has the meaning ascribed to such term in Section 4.6 of the Plan.

“**Restructured Policy Terms**” means the terms and conditions attached to the Plan as Exhibit B.

“**RMBS**” means residential mortgage-backed securities.

“**Run-Off Assumptions**” means (i) from the Effective Date until, but not including, the first CPP Revaluation, the assumptions used by the Rehabilitator to prepare the cash flow projections in a Stress Scenario and (ii) from and after the first CPP Revaluation, the assumptions used in the Run-Off Projections, as may be modified pursuant to Section 1.5 of the Restructured Policy Terms.

“**Run-Off Data**” means the data used in the Run-Off Projections, as updated pursuant to Section 1.5(B) of the Restructured Policy Terms.

“**Run-Off Period**” means the period commencing on the Effective Date and ending on the date on which all potential Policy Claims are expected to have matured based on the then-current Run-Off Projections.

“**Run-Off Principles**” means maintaining the CPP at all times at a level designed to ensure that (i) all Policyholders are treated in a fair and equitable manner, including that all holders of Permitted Policy Claims receive the same CPP of their Permitted Policy Claims and (ii) FGIC at all times has Admitted Assets in an amount not less than the Minimum Surplus Position.

“**Run-Off Projections**” means (i) from the Effective Date until, but not including, the first CPP Revaluation, the Rehabilitator’s cash flow projections for FGIC during the Run-Off Period based on a Stress Scenario and (ii) from and after the first CPP Revaluation, FGIC’s projections of its cash flows during the Run-Off Period based on a Stress Scenario, as may be modified pursuant to Section 1.5 of the Restructured Policy Terms.

“**Schedule of Terminated Contracts and Leases**” means the schedule of contracts and leases included in the Plan Supplement.

“**Secured Claim**” means any Claim that is secured by a lien on collateral to the extent such lien is valid, perfected and enforceable under applicable law and is not subject to avoidance and to the extent of the value of such collateral. If the value of such collateral is less than the amount of the Claim, the Claim in the amount of the deficiency in the value of the collateral shall constitute a Non-Policy Claim or Late-Filed Claim, as applicable.

“Servicer” has the meaning ascribed to such term in Section 3.7 of the Plan.

“Stress Scenario” means a non-catastrophic scenario envisioning a severe economic recession that is accompanied by (i) sharp declines in home prices and the financial markets, (ii) significant unemployment, (iii) high mortgage default rates and (iv) other negative economic indicators of potential relevance to FGIC’s insured exposures.

“Subsequent FGIC Payment” has the meaning ascribed to such term in Section 1.4(B) of the Restructured Policy Terms.

“Superintendent” means the Superintendent of Financial Services of the State of New York or his predecessor, the Superintendent of Insurance of the State of New York.

“Termination Damage Claim” has the meaning ascribed to such term in Section 5.3 of the Plan.

“Transaction Documents” means, with respect to any Policy, the related underlying Instruments, contracts, notes, indentures, trust agreements, certificates, servicing agreements, pooling agreements, collateral agreements, insurance agreements, assignments and/or other agreements, collectively.

“Trustee” means the trustee under a pooling and servicing agreement who holds the benefit of the trust fund under such pooling and servicing agreement for certificate holders or the indenture trustee under an indenture who holds a security interest in assets of an issuer of debt Instruments, in each case in respect of Instruments directly insured by FGIC, and in each case including such trustee’s or indenture trustee’s successors, delegates and assigns (to the extent such delegates or assigns are permitted under the relevant trust agreement).

“Trust Loan Repurchase Obligation” has the meaning ascribed to such term in Section 3.7 of the Plan.

“Undercollateralization Claim” means a Claim based on the principal amount or value of collateral securing an Instrument being less than the principal amount of such Instrument.

Exhibit B

Restructured Policy Terms

FINANCIAL GUARANTY INSURANCE COMPANY
RESTRUCTURED POLICY TERMS

The following terms and conditions (collectively, the "**Restructured Policy Terms**") implement the Policy Restructuring. The Restructured Policy Terms are part of the Plan and shall, on the Effective Date, bind Policyholders, corporate and other trustees and all other Persons. Capitalized terms not defined herein shall have the meanings ascribed to them in **Exhibit A** to the Plan.

ARTICLE I.

CLAIMS PAYMENTS

1.1 CPP.

A. Establishment of CPP.

The initial CPP shall be set by the Rehabilitator. The CPP shall be subject to adjustment pursuant to Section 1.5 hereof.

B. Initial CPP Payment.

Promptly following FGIC's determination that all or part of a Policy Claim is Permitted or the date (and to the extent) that a Policy Claim is Permitted pursuant to Section 4.6 of the Plan (as applicable), FGIC shall pay in Cash to the applicable Policy Payee an amount equal to the product of the then-existing CPP and the Policy Claim to the extent Permitted; *provided* that the first date for payment of Permitted Policy Claims shall be a date determined by FGIC that is no later than sixty (60) days after the Claims Resubmission Deadline (the "**Initial Payment Date**"). Notwithstanding the immediately preceding sentence, all Cash payments in respect of Permitted Policy Claims by FGIC shall be subject to adjustment pursuant to Sections 1.4 and 1.5 hereof.

1.2 DPO.

The DPO for a Policy shall only be payable by FGIC when, if and to the extent provided herein and in the Plan. The DPO for a Policy, at any time, shall be (i) reduced by any amounts that (a) would have been payable to the FGIC Parties under such Policy or any related Transaction Document at such time from and after the Effective Date (in each case giving effect to Section 3.5 of the Plan), assuming that FGIC had paid all Permitted Policy Claims in full in Cash (rather than as contemplated herein) and without duplication of any DPO reductions (but without limiting any Cash offsets) pursuant to Section 1.4 or 1.5 hereof and (b) were paid to holders of any Instrument insured by such Policy, (ii) increased or reduced pursuant to Section 1.4 or 1.5 hereof and (iii) to the extent not covered by clause (i) or (ii) of this Section 1.2, otherwise reduced pursuant to the Plan (including pursuant to Section 4.7(B) thereof). For the avoidance of doubt, clause (i) of this Section 1.2 may be recalculated from time to time.

1.3 DPO Accretion.

A. Accrual of DPO Accretion.

Each Policy with an outstanding DPO shall accrue an amount based on such DPO at a rate of 3% per annum (on a daily basis on the basis of a 365-day year) ("**DPO Accretion**"). DPO Accretion shall be calculated using the DPO with respect to the applicable Policy as of the preceding June 30 or, with respect to the first year in which there is a DPO under such Policy and until the next June 30, the first date on or after the Effective Date that there is such DPO (the "**First Payment Date**"). DPO Accretion for any Policy shall commence on the First Payment Date for such Policy and continue until such time (if ever) as the DPO for such Policy is permanently reduced to zero. All DPO Accretion shall be calculated on a simple basis rather than a compound basis (*i.e.*, no DPO Accretion shall accrete based on accumulated DPO Accretion). No DPO Accretion shall be added to a DPO, but shall be recorded separately for each Policy in FGIC's books and records.

B. Payment of DPO Accretion.

FGIC shall on each DPO Payment Date, for each Policy having outstanding DPO Accretion, pay in Cash to the applicable Policy Payee the DPO Accretion Payment Amount for such Policy based on the CPP Revaluation relating to such date.

1.4 FGIC Payments.

A. Payment or Setoff of FGIC Payments.

(i) Each FGIC Payment Payor shall pay, turn over or otherwise remit to the FGIC Parties all FGIC Payments payable or otherwise remittable by such FGIC Payment Payor when due under the applicable Policy or any related Transaction Document, or if such FGIC Payment would have been due prior to the Effective Date, by the fifth Business Day following the first publication of the CPP on or after the Effective Date; *provided, however*, that for the avoidance of doubt, FGIC shall have no right to the portions of the Post-Rehabilitation FGIC Recoveries that do not constitute FGIC Payments, which amounts shall otherwise be applied pursuant to the terms of the Transaction Documents, subject to any adjustments in accordance with Section 1.4(B) hereof.

(ii) FGIC shall pay, turn over or otherwise remit to each FGIC Payment Payor that made an Excess Payment of which FGIC is aware as of the Effective Date, the amount of such Excess Payment within thirty (30) days following the Effective Date and, to the extent FGIC becomes aware of an Excess Payment after the Effective Date, then FGIC shall pay, turn over or otherwise remit such Excess Payment within thirty (30) days of the date on which FGIC becomes aware of the existence of such Excess Payment.

If either (x) FGIC determines in good faith that, notwithstanding the requirements of clause (i) of this Section 1.4(A), all or a portion of any FGIC Payment has not been paid or otherwise remitted to the FGIC Parties in accordance with such clause (i), or (y) a FGIC Payment Payor determines in good faith that, notwithstanding the requirements of clause (ii) of

this Section 1.4(A), all or a portion of any Excess Payment has not been paid or otherwise remitted to the FGIC Payment Payor in accordance with such clause (ii), then, in each case, in addition to any other rights or remedies that FGIC or the FGIC Payment Payor may have, Cash payments that would otherwise be payable by FGIC in respect of the applicable Policy, or FGIC Payments that would otherwise be payable by the FGIC Payment Payor in respect of the applicable Policy, shall be reduced by the amount of such unpaid or otherwise unremitted FGIC Payment or Excess Payment, as the case may be. The DPO for that Policy shall be reduced at the time of FGIC's determination that all or a portion of a FGIC Payment was not paid or otherwise remitted in accordance with such paragraph by the amount of such unpaid or otherwise unremitted FGIC Payment, but thereafter shall be increased to the extent that Cash payments in respect of that Policy are reduced pursuant to the preceding sentence.

To the extent FGIC reduces the amount of a Policy Claim that is Permitted by the amount of a FGIC Payment, then such FGIC Payment shall not be subject to the prior two paragraphs.

B. Effect of CPP Adjustments on FGIC Payments.

Within a commercially reasonable time after each CPP Adjustment, FGIC shall take the applicable actions set forth in clauses (i) through (iv) below.

(i) FGIC shall determine, on a Policy-by-Policy basis, the FGIC Payments that would have been payable to the FGIC Parties as set forth in Section 1.4(A) during the period from and including the Effective Date to and including the date of the CPP Adjustment (the "**Pre-CPP Adjustment Period**") had FGIC paid all Permitted Policy Claims during the Pre-CPP Adjustment Period based on the Adjusted CPP (such amount with respect to a Policy, the "**Adjusted FGIC Payments**");

(ii) If the Adjusted FGIC Payments for a Policy exceed the FGIC Payments for that Policy payable (whether or not actually paid) by a FGIC Payment Payor to the FGIC Parties during the Pre-CPP Adjustment Period, then (a) FGIC shall promptly notify the applicable Policy Payee and the amount of such excess (a "**FGIC Payment Deficiency**") shall reduce any subsequent Cash payments that otherwise would be payable by FGIC in respect of that Policy (until the amount so reduced equals such FGIC Payment Deficiency) and (b) the DPO for that Policy shall be reduced by the amount of the FGIC Payment Deficiency at the time of FGIC's determination of such amount, but thereafter shall be increased to the extent that Cash payments in respect of that Policy are reduced pursuant to the preceding subclause (a). Reductions to subsequent Cash payments and the DPO as set forth in the preceding subclauses (a) and (b), respectively, shall be the sole means of recovering a FGIC Payment Deficiency;

(iii) If the FGIC Payments payable (whether or not actually paid) by a FGIC Payment Payor to the FGIC Parties during a Pre-CPP Adjustment Period exceed the Adjusted FGIC Payments for such Policy, then FGIC shall promptly notify the related Policy Payee and the amount of such excess (a "**FGIC Payment Excess**") shall (a) offset any reductions to subsequent Cash payments by FGIC in respect of that Policy (until the amount so offset equals such FGIC Payment Excess) and (b) reduce the DPO for that Policy. Offset to reductions to subsequent Cash payments and reduction to the DPO as

set forth in the preceding subclauses (a) and (b), respectively, shall be the sole means of recovering a FGIC Payment Excess; and

(iv) If a FGIC Payment for a Policy becomes payable (whether or not actually paid) by any FGIC Payment Payor after determination of a FGIC Payment Excess or FGIC Payment Deficiency for such Policy but prior to any subsequent CPP Adjustment (each, a "**Subsequent FGIC Payment**"), FGIC shall recalculate the FGIC Payment Excess or FGIC Payment Deficiency taking into account the Subsequent FGIC Payment; *provided* that any such recalculated FGIC Payment Deficiency or FGIC Payment Excess shall give effect to any reductions pursuant to clauses (ii)(a) or (iii)(a) above that occurred prior to such recalculation as a result of the FGIC Payment Deficiency or FGIC Payment Excess that is the subject of such recalculation.

For purposes of clauses (i) through (iv) of this Section 1.4(B), FGIC shall give effect to all other calculations that are required to be made, or actions that are required to be taken, pursuant to Section 1.5 hereof in connection with the applicable CPP Adjustment. The provisions of this Section 1.4(B) shall not apply to FGIC Payments allocable to Policy Claims that were paid in full prior to November 24, 2009.

1.5 CPP Revaluations.

FGIC shall re-evaluate the CPP pursuant to the procedures set forth below to determine whether, consistent with the Run-Off Principles, the CPP should remain the same or be adjusted upward or downward (each, a "**CPP Revaluation**"). All CPP Revaluations shall require review and approval by the Board.

A. Frequency of CPP Revaluations.

Commencing in 2014, FGIC shall conduct a CPP Revaluation on an annual basis by June 30 of each year (or as soon as practicable thereafter) based on Run-Off Data as of the end of the preceding calendar year. In addition, if FGIC receives within six (6) months after the effective date of a CPP Revaluation or the Effective Date Cash recoveries aggregating \$100 million or more than the related Cash recovery amounts, if any, projected in the Run-Off Projections underlying such CPP Revaluation, the Board shall determine whether to cause FGIC to (i) update such CPP Revaluation by giving effect to the full amount of such Cash recoveries (but without updating or otherwise changing any of the Base Scenario, Stress Scenario, Run-Off Projections, Run-Off Data, Minimum Cash Buffer or Run-Off Assumptions used in connection with such CPP Revaluation) and calculate a CPP Upward Adjustment based on the results of such updated CPP Revaluation, which shall be approved by the Board, or (ii) conduct a new CPP Revaluation as soon as practicable thereafter. If the Board determines to update the most recent CPP Revaluation pursuant to clause (i) of the preceding sentence, (x) such updated CPP Revaluation and the related CPP Upward Adjustment shall not be subject to the provisions of Section 1.5(B) and 1.5(C)(i), except that FGIC shall make the calculations prescribed by Section 1.5(B)(iii) and (B)(iv), (y) FGIC shall provide the NYSDFS with written notice of the results of the updated CPP Revaluation and the related CPP Upward Adjustment and (z) FGIC shall not effectuate such CPP Upward Adjustment if the NYSDFS objects thereto within ten (10) days after receiving the notice described in clause (y) or such other time period to which FGIC and the NYSDFS may

agree. Notwithstanding the foregoing sentences of this paragraph, FGIC shall not conduct any CPP Revaluations if the NYSDFS directs it in writing to refrain from doing so.

B. Engagement and Role of CPP Revaluation Firm.

As part of any CPP Revaluation, FGIC shall engage a qualified, independent firm acceptable to the NYSDFS (a "CPP Revaluation Firm") to:

- (i) review the then-current Base Scenario, Stress Scenario, Run-Off Projections, Run-Off Data, Minimum Cash Buffer and Run-Off Assumptions;
- (ii) propose any updates, revisions, corrections or other modifications to the Base Scenario, Stress Scenario, Run-Off Projections, Run-Off Data, Minimum Cash Buffer and Run-Off Assumptions that, in the professional opinion of the CPP Revaluation Firm, are necessary or advisable to correct any errors, reflect events that have occurred or are reasonably likely to occur and ensure that the then-current CPP is set at a level consistent with the Run-Off Principles (collectively, "Proposed Refinements");
- (iii) determine, as of the date of such CPP Revaluation, (a) the amount (if any) of Excess Cash available based on the Run-Off Projections, Run-Off Data and Run-Off Assumptions giving effect to the Proposed Refinements and (b) for each Policy, the DPO Accretion Payable Amount, the DPO Accretion Payable Percentage and the DPO Accretion Payment Amount; and
- (iv) recalculate the CPP based on any Excess Cash and the Run-Off Projections, Run-Off Data and Run-Off Assumptions giving effect to the Proposed Refinements.

With respect to clause (ii) of this Section 1.5(B), in reviewing the Run-Off Assumptions, the CPP Revaluation Firm shall in all instances utilize only assumptions that such firm, in its professional opinion, regards as conservative and based on such firm's view of a Stress Scenario rather than a Base Scenario. For purposes of each CPP Revaluation, the CPP Revaluation Firm shall disregard any reductions to DPO made pursuant to Section 1.4(A) and 1.4(B)(ii) hereof.

C. Adjustment to CPP.

- (i) The Board shall review the results of each CPP Revaluation (including the Proposed Refinements) within thirty (30) days following completion thereof and discuss the results with the CPP Revaluation Firm and FGIC's senior management. The Board in good faith shall determine, pursuant to the Run-Off Principles, whether (a) any or all of the Proposed Refinements should be adopted in whole or in part and (b) the CPP proposed by the CPP Revaluation Firm should be adopted or otherwise whether the CPP should remain the same or be adjusted upward or downward (and if so, to what extent). If the Board determines not to adopt certain of the Proposed Refinements, the CPP Revaluation Firm shall then recalculate the CPP based on the Board's determinations as to the Proposed Refinements and shall provide an updated final report with respect to the CPP Revaluation to FGIC. FGIC shall promptly convey in writing the Board's determinations relating to the foregoing to the NYSDFS for approval (each, a "CPP

Revaluation Filing”). FGIC shall include with each CPP Revaluation Filing (x) any final reports from the CPP Revaluation Firm relating to such CPP Revaluation (including any Proposed Refinements and CPP calculations), (y) a certification by FGIC’s CEO that, to the best of the CEO’s information and belief, the adoption or rejection of Proposed Refinements and CPP proposed by the CPP Revaluation Firm are consistent with the Run-Off Principles and (z) other information the NYSDFS may request. FGIC shall make no change to the Run-Off Data (other than corrections), Run-Off Projections, Run-Off Assumptions, Stress Scenario, Minimum Cash Buffer or CPP unless and until such change has been approved by the NYSDFS. Any such change shall become effective on the date indicated by the NYSDFS in its approval thereof or, to the extent not so indicated, on the date FGIC requested, in the CPP Revaluation Filing, that such change become effective.

(ii) If, as a result of any CPP Revaluation, the CPP is adjusted upward (a **“CPP Upward Adjustment”**), on the related DPO Payment Date, with respect to any Policy as to which FGIC paid any Cash from and after the Effective Date but prior to the CPP Upward Adjustment:

- (a) FGIC shall pay the Policy Payee Cash in an amount equal to the product of (1) the Adjusted CPP minus the then-current CPP and (2) the Aggregate Claims Amount less the amounts (if any) by which the DPO has been reduced pursuant to Section 1.2(i) hereof, in each case with respect to such Policy as of such date; and
- (b) the DPO of such Policy shall be reduced by the amount of Cash paid pursuant to clause (a) above.

(iii) If, as a result of any CPP Revaluation, the CPP is adjusted downward (a **“CPP Downward Adjustment”**), any future Cash payments that would thereafter otherwise be payable by FGIC with respect to Policies as to which FGIC paid any Cash from and after the Effective Date but prior to the CPP Downward Adjustment based on a higher CPP (each, an **“Overpaid Policy”**) will be subject to adjustment as described in Section 1.5(C)(iv) below (the **“Equalization Adjustment”**).

(iv) The Equalization Adjustment shall reduce (including to zero) the amount of Cash that would be payable by FGIC with respect to each Overpaid Policy following a CPP Downward Adjustment (whether with respect to future Permitted Policy Claims, amounts that would be payable on future DPO Payment Dates, or otherwise) until such time as the Aggregate Cash Payments Amount for such Policy shall equal the sum of (a) the product of (1) the Aggregate Claims Amount for such Policy as of such time and (2) the Adjusted CPP and (b) any DPO Accretion Payment Amounts that would have been paid with respect to such Policy if, at each CPP Upward Adjustment from the Effective Date through such CPP Downward Adjustment, the CPP had been increased to the lower of (1) the CPP in effect immediately after each such CPP Upward Adjustment and (2) the Adjusted CPP.

D. Cessation of CPP Revaluations.

Notwithstanding the other provisions of this Article I, from and after the date on which FGIC reasonably determines that ninety percent (90%) or more of the total anticipated Policy Claims are no longer subject to contingencies or other developments (other than the passage of time and/or the submission of a valid request for payment thereof), unless the value of FGIC's remaining admitted Cash, Cash equivalents, bonds and short-term investments exceeds two hundred percent (200%) of the amount of Cash needed to (i) make payments based on the then-current CPP with respect to all Policy Claims that were (a) Permitted (but not yet paid) on or prior to such date and (b) projected to be Permitted in a Stress Scenario from and after such date through the remainder of the Run-Off Period and (ii) pay operating expenses for the remainder of the Run-Off Period, FGIC shall not be obligated to conduct a CPP Revaluation thereafter (but may continue to conduct CPP Revaluations and make CPP Adjustments thereafter if requested by the NYSDFS or deemed prudent by FGIC with the approval of the NYSDFS). In making such determinations, FGIC shall act in good faith and based on input from the CPP Revaluation Firm. The provisions set forth in this Section 1.5(D) shall not apply to any Final CPP Revaluation.

E. Final CPP Revaluation.

Upon FGIC's reasonable determination that 100% of all anticipated Policy Claims under a Stress Scenario have been submitted, or the deadline for submission of such Policy Claims to FGIC has expired, FGIC shall conduct a final CPP Revaluation (the "**Final CPP Revaluation**"). For purposes of the Final CPP Revaluation, FGIC shall not be required to maintain the Minimum Surplus Position or the Minimum Cash Buffer and FGIC shall consider as assets available for distribution all of FGIC's remaining assets less projected expenses through the end of the Run-Off Period. In determining when to conduct the Final CPP Revaluation, FGIC shall act in good faith and based on input from the CPP Revaluation Firm and with the approval of the NYSDFS.

ARTICLE II

POLICY CRYSTALLIZATION EVENTS

2.1 Declaration of a Policy Crystallization Event.

If any Person (other than the FGIC Parties), notwithstanding the injunctive relief and other terms and conditions in the Plan (a) exercises, seeks to exercise or in any manner fails to honor the FGIC Parties' exclusive authority to exercise FGIC Rights or otherwise fails to comply with the injunctive relief set forth in Section 7.8(e) of the Plan, (b) exercises or seeks to exercise any Rehabilitation-Triggered Right, (c) declares or seeks to declare a Rehabilitation-Related Default or (d) interferes or seeks to interfere with the FGIC Parties' pursuit of FGIC Direct Claims (clauses (a) through (d) collectively, "**Purported FGIC Loss of Rights**"), FGIC may declare with respect to such Policy a "**Policy Crystallization Event**" by taking the applicable actions set forth in clauses (i) through (iv) below; *provided, however*, that the exercise by any Person of its rights, if any, under and in accordance with Section 3.7 of the Plan shall not constitute a Purported FGIC Loss of Rights.

(i) FGIC shall provide written notice to such Person of the Purported FGIC Loss of Rights within sixty (60) days after FGIC becomes aware of the Purported FGIC Loss of Rights (the "**Purported FGIC Loss of Rights Notice**");

(ii) The Purported FGIC Loss of Rights Notice shall state (a) the nature of the Purported FGIC Loss of Rights, (b) the date(s) on or with respect to which the Purported FGIC Loss of Rights occurred, (c) that such Person has thirty (30) days to cure the Purported FGIC Loss of Rights and (d) the date as of which the Policy Crystallization Event will be effective, which shall be the earliest date on or with respect to which the Purported FGIC Loss of Rights occurred (the "**Policy Crystallization Event Effective Date**"); and

(iii) If such Person fails to cure the Purported FGIC Loss of Rights, FGIC is permitted to declare a Policy Crystallization Event thirty (30) days after the later of (x) the date of the Purported FGIC Loss of Rights Notice and (y) the final resolution (including exhaustion of any right of appeal) or settlement of any judicial action commenced in accordance with Section 8.1(j) of the Plan, by providing written notice (the "**Policy Crystallization Event Notice**") which shall (a) state that the Purported FGIC Loss of Rights has not been cured and (b) declare that a Policy Crystallization Event has occurred; *provided* that, if a Person seeks a judicial determination in accordance with Section 8.1(j) of the Plan pursuant to clause (iii) of this Section 2.1, during the pendency (including any appeal) of such judicial action all Claims under the Policy subject to the Purported FGIC Loss of Rights Notice, to the extent that such Claims arise from or relate to the actions giving rise to the alleged Policy Crystallization Event, shall be deemed Disputed Claims.

2.2 Effect of Declaration of Policy Crystallization Event.

Any Policy Crystallization Event will be effective as of the Policy Crystallization Event Effective Date, as stated in the Purported FGIC Loss of Rights Notice. Following a declaration of a Policy Crystallization Event, FGIC shall determine its anticipated payment obligations under the Policy for the remainder of the expected duration of the Policy (collectively, the "**Estimated Payment Obligations**"). FGIC also shall determine the date on which each Estimated Payment Obligation is anticipated by FGIC to become due (the "**Estimated Payment Schedule**"). FGIC shall determine, in good faith, the Estimated Payment Obligations and Estimated Payment Schedules based on FGIC's reasonable judgment, in each case based on the reserve and related assumptions, calculations and projections as used by FGIC in estimating losses for such Policy in connection with FGIC's quarterly statutory financial statement immediately preceding the Policy Crystallization Event, but ignoring any actual or anticipated effects of any Purported FGIC Loss of Rights giving rise to the Policy Crystallization Event. For the avoidance of doubt, the Estimated Payment Obligations shall not include any amount in respect of termination of a CDS or other swap agreement in contravention of the Plan (whether calculated on the basis of "Market Quotation," "Loss," "Close-out Amount" or other methodologies).

In respect of each Policy for which a Policy Crystallization Event has been declared, from and after the Policy Crystallization Event Effective Date:

(i) a Claim shall be deemed to have been made as of each date on which an Estimated Payment Obligation was anticipated by FGIC to be due based upon the Estimated Payment Schedule and on each date a Claim is properly submitted by the Policyholder, in an amount equal to (a) the lesser of (x) the aggregate Estimated Payment Obligations that were anticipated to be due from and after the Policy Crystallization Event Effective Date through and including such date and (y) the aggregate amount of all Claims properly submitted with respect to events occurring from and after the Policy Crystallization Event Effective Date through and including such date, minus (b) the aggregate amount of all previously Permitted Policy Claims for such Policy with respect to events occurring from and after the Policy Crystallization Event Effective Date through and including such date;

(ii) no Claims shall be Permitted with respect to such Policy except for those described in clause (i) of this Section 2.2, and, if the Claims discussed in in clause (i) of this Section 2.2 are Permitted pursuant to the Plan, such Permitted Claims shall be treated like other similarly-situated Permitted Claims under the Plan; and

(iii) FGIC shall be entitled to receive all FGIC Payments arising, accrued or due at any time, whether prior to, on or after the Policy Crystallization Event Effective Date.

ARTICLE III.

MISCELLANEOUS

3.1 Integration of Plan into Each Policy.

From and after the Effective Date, the Plan shall (i) become part of each Policy and shall supersede any provision of any Policy that is inconsistent with the Plan and (ii) govern treatment of all Claims under Policies that have not been paid in full as of the date of the Order of Rehabilitation.

3.2 No Security or Ownership Interest Created.

Neither DPO nor DPO Accretion shall constitute a separate security issued by FGIC or any of its affiliates, be represented by any certificate or other instrument issued by FGIC or any of its affiliates or represent any ownership interest in FGIC or any of its affiliates. FGIC shall not be required to make any payments with respect to DPO or DPO Accretion to any Person other than to a holder of a Policy.

Exhibit C

Pending RMBS Litigations

Pending RMBS Litigations

1. *Financial Guaranty Insurance Company v. Countrywide Home Loans, Inc.* (N.Y. Sup.Ct., Index No. 650736/2009), which was amended to include allegations against Countrywide Financial Corp., Countrywide Securities Corp, Countrywide Bank, F.S.B. and Bank of America Corp.
2. *Financial Guaranty Insurance Company v. GMAC Mortgage, LLC (f/k/a GMAC Mortgage Corporation); Ally Bank (f/k/a GMAC Bank); and Residential Capital, LLC (f/k/a Residential Capital Corporation)* (S.D.N.Y. Case No. 11-cv-9729) (relating to GMACM Home Equity Loan Trust 2006-HE1), which was amended to include allegations against Ally Financial, Inc. (f/k/a GMAC, LLC)
3. *Financial Guaranty Insurance Company v. Residential Funding Company, LLC (f/k/a Residential Funding Corporation); and Residential Capital, LLC (f/k/a Residential Capital Corporation)* (S.D.N.Y. Case No. 11-cv-9737) (relating to RAMP Series 2005-RS9 Trust)
4. *Financial Guaranty Insurance Company v. Residential Funding Company, LLC (f/k/a Residential Funding Corporation); and Residential Capital, LLC (f/k/a Residential Capital Corporation)* (S.D.N.Y. Case No. 11-cv-9736) (relating to RFMSII Home Equity Loan Trust 2005-HS1 and RFMSII Home Equity Loan Trust 2005-HS2)
5. *Financial Guaranty Insurance Company v. Ally Financial, Inc. (f/k/a GMAC LLC); Residential Capital, LLC (f/k/a Residential Capital Corporation); and Residential Funding Company, LLC (f/k/a Residential Funding Corporation)* (S.D.N.Y. Case No. 12-cv-0341) (relating to RASC Series 2005-EMX5 Trust)
6. *Financial Guaranty Insurance Company v. Ally Financial, Inc. (f/k/a GMAC LLC); Residential Capital, LLC (f/k/a Residential Capital Corporation); and Residential Funding Company, LLC (f/k/a Residential Funding Corporation)* (S.D.N.Y. Case No. 12-cv-0338) (relating to RAMP Series 2005-EFC7 Trust)
7. *Financial Guaranty Insurance Company v. Ally Financial, Inc. (f/k/a GMAC LLC); Residential Capital, LLC (f/k/a Residential Capital Corporation); and Residential Funding Company, LLC (f/k/a Residential Funding Corporation)* (S.D.N.Y. Case No. 12-cv-0339) (relating to RAMP Series 2005-NC1 Trust)
8. *Financial Guaranty Insurance Company v. Ally Financial, Inc. (f/k/a GMAC LLC); Residential Capital, LLC (f/k/a Residential Capital Corporation); and Residential Funding Company, LLC (f/k/a Residential Funding Corporation)* (S.D.N.Y. Case No. 12-cv-0340) (relating to RFMSII Series 2005-HSA1 Trust, RFMSII Series 2006-HSA1 Trust and RFMSII Series 2006-HSA2 Trust)
9. *Financial Guaranty Insurance Company v. Ally Financial, Inc. (f/k/a GMAC LLC); Residential Capital, LLC (f/k/a Residential Capital Corporation); Ally Bank (f/k/a GMAC Bank); and GMAC Mortgage, LLC (f/k/a GMAC Mortgage Corporation)* (S.D.N.Y., Case No. 12-cv-0780) (relating to GMACM Home Equity Loan Trust 2005-HE1)

10. *Financial Guaranty Insurance Company v. Ally Financial, Inc. (f/k/a GMAC LLC); Residential Capital, LLC; and Residential Funding Company, LLC* (S.D.N.Y. Case No. 12-cv-1601) (relating to RASC Series 2007-EMX1 Trust)
11. *Financial Guaranty Insurance Company v. Ally Financial, Inc. (f/k/a GMAC LLC); Residential Capital, LLC (f/k/a Residential Capital Corporation); Ally Bank (f/k/a GMAC Bank); and GMAC Mortgage, LLC (f/k/a GMAC Mortgage Corporation)* (S.D.N.Y., Case No. 12-cv-1658) (relating to GMACM Home Equity Loan Trust 2006-HE3)
12. *Financial Guaranty Insurance Company v. Ally Financial, Inc. (f/k/a GMAC LLC); Residential Capital, LLC (f/k/a Residential Capital Corporation); Ally Bank (f/k/a GMAC Bank); and GMAC Mortgage, LLC (f/k/a GMAC Mortgage Corporation)* (S.D.N.Y., Case No. 12-cv-1818) (relating to GMACM Home Equity Loan Trust 2006-HE2 and GMACM Home Equity Loan Trust 2007-HE2)
13. *Financial Guaranty Insurance Company v. Ally Financial, Inc. (f/k/a GMAC LLC); Residential Capital, LLC (f/k/a Residential Capital Corporation); and Residential Funding Company, LLC (f/k/a Residential Funding Corporation)* (S.D.N.Y. Case No. 12-cv- 1860) (relating to RFMSII Home Equity Loan Trust 2006-HI2, RFMSII Home Equity Loan Trust 2006-HI3, RFMSII Home Equity Loan Trust 2006-HI4, RFMSII Home Equity Loan Trust 2006-HI5 and RFMSII Home Equity Loan Trust 2007-HI1)

Exhibit 2

Plan Approval Notice

Sidman Declaration Exhibit # 2

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May 2, 2013

Writer's Direct Contact
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CONFIDENTIAL

Marc Abrams, Esq.
Willkie Farr & Gallagher LLP
787 Seventh Avenue
New York, New York 10019

Re: *In re Residential Capital, LLC, Case No. 12-12020 (MG): Confidentiality Agreement*

Dear Marc:

As of the above-written date, this Confidentiality Agreement (the "Confidentiality Agreement") is entered into by and between (i) Willkie Farr & Gallagher LLP, as counsel to Monarch Alternative Capital LP ("Certificate Holder") and (ii) Residential Capital LLC ("ResCap") and its affiliated debtors (collectively, the "Debtors"), which are debtors in possession under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the above-captioned cases (the "Chapter 11 Cases") currently pending in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). You have requested information from the Debtors in connection with the Chapter 11 Cases.

In connection with your client's involvement in the Chapter 11 Cases and with your request for information, the Debtors and/or Representatives (as defined below), Advisors (as defined below), or agents (each, a "Disclosing Party," and, collectively, the "Disclosing Parties") may directly or indirectly provide you and others at your firm, as well as your Representatives, Advisors, or agents (each being a "Receiving Party," and, collectively, the "Receiving Parties") with certain Confidential Information (as defined below) relating to the Debtors, the Chapter 11 Cases and the mediation being conducted before Judge Peck in relation thereto. As a condition to your being furnished such Confidential Information, you agree to treat such information (whether written or oral) in accordance with the provisions of this Confidentiality Agreement and to take or abstain from taking certain actions as set forth herein.

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1. For purposes of this Confidentiality Agreement, the following terms shall have the following indicated meanings:

“Advisors” shall include counsel, consultants, accountants, experts, auditors, examiners, financial advisors, appraisers, or other agents or professionals.

“Confidential Information” means any and all proprietary and confidential nonpublic information (whether in writing or orally or in any other format) produced, provided, given, or exchanged by a Disclosing Party (defined above) that is marked or designated by such Disclosing Party as being “Confidential,” including, without limitation, such marked or otherwise designated information concerning the Disclosing Party’s assets, liabilities, business operations, business practices, business plans, financial projections, financial and business analyses, corporate governance, intellectual property, trade secrets, and compilations and studies relating to the foregoing. Confidential Information includes, but is not limited to, all analyses, compilations, forecasts, studies, or other documents prepared by a Receiving Party in connection with its review of, or interest in, the Chapter 11 Cases, which contain or reflect or are based upon any such Confidential Information provided by the Disclosing Party.

The term Confidential Information will not include information that:

- (i) is or becomes publicly available other than as a result of a disclosure by any Receiving Party or any of its Representatives or Advisors in breach of this Confidentiality Agreement;
- (ii) a Receiving Party or its Representatives or Advisors obtains independently, not pursuant to this Confidentiality Agreement;
- (iii) is or becomes available to the Receiving Party or any of its Representatives or Advisors on a non-confidential basis from a source (other than a Disclosing Party), which source is not known to the Receiving Party (who shall have no duty of investigation in this regard) to be subject to any prohibition from disclosing such information to the Receiving Party;
- (iv) is independently developed by such Receiving Party or any of its Representatives or Advisors without violating its obligations hereunder and without using any Confidential Information;
- (v) is disclosed or is required to be disclosed by law, rule, regulation or legal process, subject to the requirements of paragraph 8 below;
- (vi) is obtained by the Receiving Party through subpoena, formal discovery or other process as contemplated by paragraph 10 below; or

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(vii) is determined by a court of competent jurisdiction not to be Confidential Information.

“or” shall not be construed as exclusive.

“Representatives” shall include affiliates, directors, officers, partners, members, and employees.

2. Each Receiving Party hereby agrees that it will:

(a) keep the Confidential Information confidential and will not (except as required by applicable law, rule, regulation or legal process, and only after compliance with paragraph 8 below), without the Disclosing Party’s prior written consent, disclose any Confidential Information to any other person or entity, except as provided for in this Confidentiality Agreement;

(b) not use or allow any Confidential Information to be used for any purpose other than in connection with these Chapter 11 Cases; and

(c) use reasonable efforts to safeguard the Confidential Information and to protect the Confidential Information against disclosure, misuse, espionage, loss, and theft by any corporation, company, partnership, or individual.

3. Notwithstanding the foregoing, Confidential Information may be disclosed by the Receiving Party to (i) its Representatives, Advisors and agents who are involved with these Chapter 11 Cases, except for Confidential Information designated as “Professionals’ Eyes Only” as defined below, and (ii) any other person who would be considered a “Receiving Party” under a confidentiality agreement entered into by the Debtors that is similar to this Confidentiality Agreement, which, for the avoidance of doubt, shall include persons noticed for depositions or interviews or designated as trial witnesses and their counsel to the extent deemed necessary by counsel to the Receiving Party in order to prepare such witnesses. The Receiving Party represents that each of its Representatives and Advisors who receives Confidential Information pursuant to this Confidentiality Agreement will be advised (i) of the confidentiality and use restrictions of this Confidentiality Agreement, (ii) that upon receipt of any Confidential Information such party shall be deemed bound by the terms of this Confidentiality Agreement, and (iii) of such party’s obligations concerning the confidentiality of all such Confidential Information and the proper use thereof. The Disclosing Party may agree in writing with the Receiving Party to greater or lesser restrictions on the use of certain Confidential Information.

4. The Disclosing Party shall be permitted to designate certain items of Confidential Information as “Professionals’ Eyes Only” only if the Disclosing Party in good

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faith reasonably believes (i) that the items contain proprietary information related to the Disclosing Party's previous, existing or ongoing business operations for which restricted access is necessary to prevent a risk of competitive harm to the Disclosing Party in the ongoing operation of its business, or (ii) that the items contain non-privileged internal analyses regarding the treatment and/or valuation of existing or potential claims in connection with the sale of mortgages or mortgage backed securities.

5. The Receiving Party agrees that information designated as Professionals' Eyes Only may not be disclosed to any Representatives of the Receiving Party and may be reviewed only by the following persons:

(a) Advisors who represent or work for the Receiving Party in matters related to the Chapter 11 Cases, as well as clerical, paralegal, other staff and agents of those Advisors whose functions require access to Professionals' Eyes Only information;

(b) Any person indicated on the face of a document to be the author, addressee, or an actual or intended recipient of the document;

(c) Professional vendors to whom disclosure is reasonably necessary for the Chapter 11 Cases, provided they are informed that the material is Professionals' Eyes Only information;

(d) The Court and its authorized staff, including official and freelance court reporters and videotape operators hired by the Receiving Party in connection with these Chapter 11 Cases; and

(e) Any other person but only upon order of the Court or agreement of the Disclosing Party.

6. The Disclosing Party may designate the specific testimony during a deposition or proceeding as Confidential or Professionals' Eyes Only either on the record at the deposition or other proceeding, or in writing no later than three calendar days following the date on which counsel for the Disclosing Party has received the final version of the transcript of the deposition or other proceeding (the "Transcript Designation Period"); provided that testimony designated as Confidential or Professionals' Eyes Only shall remain subject to such designation during the Transcript Designation Period.

7. Notwithstanding the foregoing, should the Receiving Party disagree with the Disclosing Party's designation of information as Confidential or Professionals' Eyes Only, counsel for the Disclosing Party and for the Receiving Party shall confer in good faith to resolve the issue on an expedited basis. Absent a consensual resolution, the Receiving

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Party may request, upon written notice to the Disclosing Party and on an expedited basis, that the Bankruptcy Court resolve the issue (subject to the Court's availability). The material in question shall be treated as it was initially designated by the Disclosing Party pending resolution of the issue. If challenged pursuant to this paragraph 7, the Disclosing Party shall bear the burden of establishing that any such material challenged by the Receiving Party is entitled to the designation of Confidential or Professionals' Eyes Only assigned by the Disclosing Party.

8. Notwithstanding anything to the contrary herein, if a Receiving Party or any of the Receiving Party's Representatives becomes legally compelled by applicable law, rule, regulation, regulatory authority, or legal process to make any disclosure that is otherwise prohibited or constrained by this Confidentiality Agreement, the Receiving Party or such Representative, as the case may be, shall provide written notice of such legal proceedings or compelled disclosure (unless such notice is prohibited by applicable law) to the Disclosing Party and the Disclosing Party's counsel pursuant to the notice provisions set forth herein promptly upon receiving such notice and, unless such required disclosure by its terms compels the Receiving Party to disclose such Confidential Information in a shorter period, at least three (3) business days prior to compliance by the Receiving Party with the request for disclosure of Confidential Information, so that the Disclosing Party may seek an appropriate Confidentiality Agreement or other appropriate relief, or, in the Disclosing Party's sole discretion, waive compliance with the terms of this Confidentiality Agreement. In the absence of a Confidentiality Agreement or the Receiving Party's receiving such a waiver from disclosure, the Receiving Party or its Representative shall be permitted (with the Disclosing Party's cooperation) to disclose only that portion of the Confidential Information that the Receiving Party or the Representative reasonably believes is legally required to be disclosed and shall inform (in writing) any person to whom any Confidential Information is so disclosed of the confidential nature of such Confidential Information.

9. Each Receiving Party acknowledges that none of the Disclosing Parties makes any express or implied representation or warranty as to the accuracy or completeness of the Confidential Information, and each Receiving Party agrees that no Disclosing Party shall have any liability arising from disclosure of the Confidential Information pursuant to this Agreement or for any errors therein or omissions therefrom.

10. Nothing in this Confidentiality Agreement shall prevent or limit any right of any Receiving Party from seeking any information through subpoena, formal discovery, or other process, or prevent or limit any right of a Disclosing Party to object on any basis to any such subpoena, formal discovery or other process.

11. For a period of one (1) year commencing on the Effective Date of this Agreement (as defined below), without the prior written consent of the Debtors, no

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Receiving Party or its Representatives will (or will assist or encourage others to), directly or indirectly, solicit to hire or hire: (i) any officer employed by any of the Debtors; or (ii) any other employee of any of the Debtors with whom you have had contact or who (or whose performance) became known to you or your Representatives or Advisors in connection with the process contemplated by this Confidentiality Agreement; *provided, however*, that you may employ any such person who responds to your general solicitations for employees in the ordinary course of business and consistent with your past practices, whose employment was terminated by the Debtors, or with whom you have not had any contact in connection with the Chapter 11 Cases. The obligations referred to in this paragraph shall be referred to as the "Non-Solicitation Agreement."

12. This Confidentiality Agreement shall be effective as of the date written above (the "Effective Date"). Upon (i) the termination of a Receiving Party as a Representative or Advisor to Certificate Holder, such Receiving Party, or (ii) the written request of the Disclosing Party or any of its Representatives at any time for any reason, each Receiving Party shall either (at the Receiving Party's election) (y) promptly destroy all copies of the Confidential Information in its possession, or (z) promptly deliver to the Disclosing Party all copies of the Confidential Information in its possession; *provided, however*, that the Receiving Parties may retain all analyses, compilations, forecasts, studies, or other documents prepared by the Receiving Parties or its Advisors or Representatives, including those reflecting Confidential Information, and such other information that such Receiving Party is required to retain by law or reasonable and customary internal document retention policies (including any internal document retention policies in effect as of the date of this Confidentiality Agreement) (collectively the "Retained Information"); *provided, further, however*, that the Receiving Party shall not be required to return or destroy any Confidential Information if the Disclosing Party agrees in writing that the Receiving Party may retain such Confidential Information or the Receiving Party obtains an order of the Bankruptcy Court authorizing it to retain such Confidential Information; *provided, further, however*, that backup copies of electronic communications containing Confidential Information which are automatically generated through Receiving Party's data backup and/or archiving systems and which are not readily accessible by Receiving Party's business personnel (the "electronic copies") shall not be deemed to violate this Confidentiality Agreement, so long as such electronic copies are not disclosed or used in violation of the terms of this Confidentiality Agreement. If requested by a Disclosing Party, a Receiving Party shall provide a certification as to the destruction of any materials in accordance with the foregoing. Any Receiving Party that retains any Retained Information or other Confidential Information pursuant to this paragraph will continue to be subject to the terms of this Confidentiality Agreement in respect of all such information.

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13. Each Receiving Party acknowledges that remedies at law would be inadequate to protect the Disclosing Party against any breach of this Confidentiality Agreement and, without prejudice to any other rights and remedies otherwise available to the Disclosing Party, each of the Receiving Parties agrees that the Disclosing Party may seek injunctive relief restricting the further release of Confidential Information, or the specific performance of the terms of this Confidentiality Agreement restricting the further release of Confidential Information, for any breach of this Confidentiality Agreement by one or more of the Receiving Parties without proof of actual damages and without the requirement of obtaining any bond or giving any security in connection with the granting of any such relief. In the absence of willful misconduct or bad faith, injunctive relief and specific performance of the terms of this Confidentiality Agreement, as provided for in this paragraph, will be the exclusive remedies available to Disclosing Parties for any alleged breach of this Confidentiality Agreement by a Receiving Party and its Advisors.

14. The Receiving Parties and the Disclosing Parties hereby (a) submit to the jurisdiction of the Bankruptcy Court with respect to all disputes, actions, suits, and proceedings arising out of or relating to this Agreement, (b) agree that all claims with respect to any such dispute, action, suit, or proceeding may be heard and determined in such court, (c) waive the defense of an inconvenient forum, (d) agree that service of any process or of any summons by United States registered mail, return receipt requested, shall be effective service of process for any action, suit or proceeding brought in any such court by either Party with respect to any such dispute, action, suit, or proceeding, (e) agree that a final judgment in any such action, suit, or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law, and (f) waive a right to trial by jury of any dispute, action, suit, or proceeding related to this Confidentiality Agreement.

15. Non-Party Borrower Information (“NPBI”) may not be used by the Receiving Party or its experts, consultants, professional vendors, counsel or other secondary recipients or affiliates for the purpose of contacting borrowers or their employers or accountants, whether through formal process or otherwise, or for the purpose of re-verifying borrower credit information, including, but not limited to, obtaining credit reports and/or verifying employment, income, place of residence, citizenship, debts or assets, except pursuant to an order from this court or a competent authority authorizing the specific request to seek such information.

16. Each party agrees that no failure or delay by the other party in exercising any right, power, or privilege hereunder will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power, or privilege hereunder.

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17. This Confidentiality Agreement will be governed by and construed in accordance with the laws of the State of New York applicable to contracts between residents of New York and executed in and to be performed in New York.

18. This Confidentiality Agreement supersedes any confidentiality agreements entered into by a Receiving Party with the Debtors, and except as provided herein, no modifications of this Confidentiality Agreement or waiver of the terms and conditions hereof will be binding upon the parties, except by a separate writing by the Debtors and the Receiving Party expressly so modifying or waiving the provisions in this Confidentiality Agreement. A Receiving Party and all parties and persons subject to the Confidentiality Agreement retain the right to seek relief from the Bankruptcy Court with respect to the terms and conditions of this Confidentiality Agreement. **For the avoidance of doubt, this Confidentiality Agreement is not intended to preclude the Receiving Party from gaining access to any information or materials provided by or on behalf of any party as part of the mediation being overseen by Judge James M. Peck, which information and materials shall remain at all times confidential and subject to the provisions of the Bankruptcy Court's Orders appointing Judge Peck as Mediator (Dkt #s 2519, 3101).**

19. Subject to section 14 of this Agreement, all notices and other communications to the parties required or permitted under this Confidentiality Agreement shall be in writing and shall become effective when delivered by electronic mail, overnight courier service, registered or certified mail (postage prepaid) or hand delivery, addressed as follows or as provided on the Special Service List as set forth in the Case Management Order in these Chapter 11 Cases:

If to a Receiving Party:

Willkie Farr & Gallagher LLP
787 Seventh Avenue
New York, New York 10019
Attn: Marc Abrams
Mary Eaton
Jennifer Hardy
mabrams@willkie.com
meaton@willkie.com
jhardy2@willkie.com

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Marc Abrams, Esq.
Willkie Farr & Gallagher LLP
May 2, 2013
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If to a Disclosing Party:

Residential Capital, LLC
1100 Virginia Drive
Fort Washington, Pennsylvania 19034
Attn: Tammy Hamzehpour, General Counsel
tammy.hamzehpour@gmacrescap.com

With a copy to:

Morrison & Foerster LLP
1290 Avenue of the Americas
New York, New York 10104
Attn: Lorenzo Marinuzzi, Esq.
lmarinuzzi@mof.com

OR TO SUCH OTHER PERSON OR ADDRESS AS SUCH PARTY MAY HAVE SPECIFIED IN A NOTICE DULY GIVEN AS PROVIDED HEREIN. SUCH NOTICE SHALL BE DEEMED TO HAVE BEEN GIVEN AS OF THE DATE OF TRANSMISSION OR DELIVERY, AS THE CASE MAY BE.

20. This Confidentiality Agreement shall be binding upon and inure to the benefit of all parties hereto and their respective successors and permitted assigns. This Agreement is non-assignable except with the prior written approval of the authorized representatives of all parties.

21. Subject to a Receiving Party's right to challenge any assertion of privilege or prohibition from disclosure, nothing in this Confidentiality Agreement shall require disclosure of information by a Disclosing Party that is protected or prohibited from disclosure by the attorney-client privilege, the work-product immunity, or any other legally cognizable privilege or other protection, including without limitation any applicable data privacy laws. If information protected or prohibited from disclosure is inadvertently or mistakenly produced, such production shall in no way prejudice or otherwise constitute a waiver of, or estoppel as to, any claim of privilege or work-product immunity for such information or any other information that may be protected from disclosure by the attorney-client privilege, the work-product immunity, or any other legally cognizable privilege or other protection. If a Disclosing Party inadvertently or mistakenly produces information that is protected or prohibited from disclosure, upon written request by the Disclosing Party after the discovery of such inadvertent or mistaken production, the Receiving Party shall use all

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Marc Abrams, Esq.
Willkie Farr & Gallagher LLP
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commercially reasonable efforts to return or destroy the information for which a claim of inadvertent production is made and all copies of it, including any work product containing, identifying, or referencing such information, within five business days of such request, and the Receiving Party shall not use such information for any purpose other than in connection with a motion to compel production of the information. If the Receiving Party returns such information, it may then move the Bankruptcy Court for an order compelling production of the information, but that motion shall not assert as a ground for entering such an order the fact or circumstance of the inadvertent production of the information.

22. This Agreement shall be executed in any number of counterparts, which counterparts may be delivered by facsimile or electronic mail, and it shall not be necessary that the signature of, or on behalf of, each party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each party, appear on one or more counterparts. All such counterparts when taken together shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

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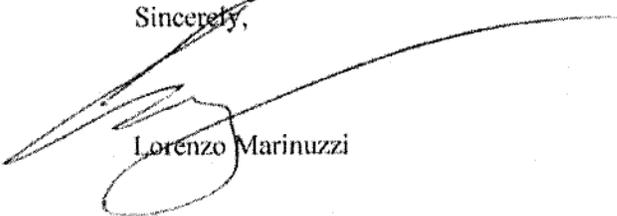
ny-1089420

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Marc Abrams, Esq.
Willkie Farr & Gallagher LLP
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Page Eleven

Please confirm your agreement with the foregoing by signing and returning to the undersigned the duplicate copy of this letter enclosed herewith.

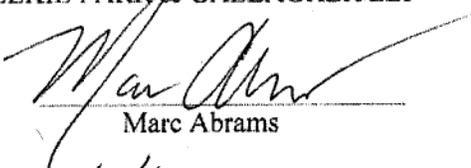
Sincerely,


Lorenzo Marinuzzi

Accepted and agreed to:

WILLKIE FARR & GALLAGHER LLP

By:


Marc Abrams

Date:

5/2/12

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ny-1089420

Sidman Declaration Exhibit # 3

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

-----)
In re:) Case No. 12-12020 (MG)
)
RESIDENTIAL CAPITAL, LLC, *et al.*,) Chapter 11
)
Debtors.) Jointly Administered
-----)

DECLARATION OF SCOTT R. GIBSON

Scott R. Gibson declares, under penalty of perjury pursuant to 28 U.S.C. § 1746, as follows:

1. My name is Scott R. Gibson, and I am over 21 years of age. I am of sound mind, and I will attest to the facts described herein. I hold a Bachelor of Science degree from Lehigh University in Material Science and Engineering. I am a Senior Vice President, Independent Pricing Service & Analytics, at MountainView IPS, LLC ("MountainView IPS"), located at 999 18th Street, Suite 1001, Denver, Colorado 80202. MountainView IPS is a wholly owned subsidiary of MountainView Capital Holdings ("MountainView"). For 23 years, MountainView has been focusing on the diverse needs of participants in the fixed income capital markets and specializing in mortgage assets. With expertise in asset management, analytics, sales and trading, MountainView is uniquely qualified to create value for our clients in all market conditions. MountainView Capital Holdings offers a suite of services to institutional participants in the mortgage and fixed income capital markets. MountainView addresses their clients' needs through six wholly owned subsidiaries, including MountainView IPS.

2. MountainView IPS is an independent pricing service ("IPS") that provides analytics and fair value pricing of residential mortgage-backed securities, commercial mortgage-backed securities, asset-backed securities, and residential whole loans. MountainView IPS also

provides cash-flow projections and stress/scenario testing. As a market leading participant in the third-party valuation service sector, MountainView IPS, provides accurate third-party, fair market pricing of hard-to-value and other mortgage and asset-backed securities for fixed income managers and investors, leading investment and commercial banks, regulated savings and lending institutions, institutional investors, government agencies and service providers internationally. The MountainView IPS pricing process incorporates a blend of market and credit research, internal and external pricing models, and specialist judgment to determine and verify the correct set of performance assumptions that drive an asset's cash flow and ultimate fair market value.

3. The IPS valuation process captures collateral and structural performance for each individual bond or loan pool being valued, as well as the current market and credit considerations that will impact price. IPS provides full transparency of the inputs and assumptions used in the valuation process. The valuation methodology follows ASC 820-FAS 157 guidance for fair value measurements in accordance with generally accepted accounting principles (GAAP).

4. Prior to joining MountainView IPS, I held executive positions at Clayton, IPS, LLC, and CoreBrand, LLC. Throughout my fifteen-year career as a financial professional specializing fair value analysis, residential loan portfolio valuation, residential mortgage-backed securities ("RMBS") and asset-backed securities ("ABS") modeling, quantitative analysis, analytic processes development, and investment portfolio reporting, I have developed considerable experience in these fields. I have been recognized for, among other things, significant contributions to residential loan portfolio valuation and RMBS/ABS modeling.

5. I submit this declaration (the "Declaration") in support of the opposition of Federal Home Loan Mortgage Corporation ("Freddie Mac") to the *Debtors' Motion Pursuant to Fed. R. Bankr. P 9019 for Approval of the Settlement Agreement Among the Debtors, FGIC, the FGIC Trustees and Certain Institutional Investors* dated June 7, 2013 [ECF No. 3929] (the "9019 Motion"). All facts set forth in this Declaration are based upon, among other things, (i) my personal knowledge; (ii) information supplied to me by (a) counsel for the Freddie Mac and (b) my colleagues; (iii) my review of relevant documents, including (a) deposition transcripts; (b) the 9019 Motion and the exhibits thereto; (c) the motion (Sequence No. 016, the "State Court Motion") of the rehabilitator (the "Rehabilitator") of Federal Guaranty Insurance Company ("FGIC") to approve a settlement agreement among the FGIC, Residential Capital, LLC ("ResCap," or the "Debtors"), and other parties (the "ResCap Settlement") in FGIC's rehabilitation proceeding in New York Supreme Court (the "Rehabilitation Proceeding"); and (d) FGIC's plan of rehabilitation and related documents (the "Rehabilitation Plan"); and (iv) my opinion based upon my experience and knowledge acquired over the fifteen years I have been involved as an professional in the IPS sector.

6. Based upon my experience and the analysis set forth herein, I believe holders of FGIC-Insured ResCap RMBS (defined below) collectively would receive materially superior recoveries under the Rehabilitation Plan than under the Settlement Agreement.

INTRODUCTION AND PURPOSE

7. Prior to the commencement of the Rehabilitation Proceeding, certain of the Debtors originated and/or serviced residential mortgage loans that they contributed or otherwise sold to forty-seven trusts (the "FGIC-Insured Trusts"). These trusts then issued RMBS consisting of certificates collateralized by such residential mortgage loans. FGIC, a monoline

financial guaranty insurance company, wrote policies that insured the payment of principal and interest with respect to the securities issued by the FGIC-Insured Trusts; by “wrapping” the securities the FGIC-Insured Trusts issued, FGIC essentially guaranteed the payment of principal and interest due on such securities.

8. FGIC has been unable to make payments under any of the Policies since approximately November of 2009 when the New York State Department of Insurance (now known as the New York Department of Financial Services) prevented FGIC from making payments on any policy claims.

9. The Rehabilitation Plan provides that the holders of FGIC policy claims will receive payments of 17.25% of the total amount of their claims against FGIC (the “Cash Payment Percentage” or “CPP”), which will be adjusted over time. The financial disclosures in connection with the Rehabilitation Plan contemplate that the present value of recoveries under a “Base Scenario” will be between 27 and 30 cents on the dollar for FGIC policy claims. The Rehabilitation Plan contains mechanisms that will “true up” earlier-filed FGIC policy claims such that these earlier-dated claims may receive subsequent payments based upon subsequent increases to CPP.

10. After the Rehabilitation Plan was approved, the Rehabilitator sought court approval of the ResCap Settlement, which, among other things, would provide for the commutation/termination of the Policies (the “FGIC Commutation”) in exchange for a one-time, lump-sum payment of \$253.3 million (the “FGIC Commutation Payment”), which would be distributed to holders (the “FGIC-Wrapped Holders”) of FGIC-insured RMBS (the “FGIC-Wrapped Securities”) originated by ResCap and certain of its affiliates.

11. At the request of Freddie Mac’s counsel (McKool Smith, P.C., and Moss

& Kalish, PLLC), MountainView IPS assessed the recoveries to FGIC-Wrapped Holders under the Rehabilitation Plan *vis-à-vis* the ResCap Settlement. While Freddie Mac did obtain limited discovery from the trustees of the FGIC-Insured Trusts and their expert (the “Trustees”), the Debtors, and FGIC, we did not receive enough material to complete an analysis that did not rely primarily on publicly available documents. Using publicly available information (and some of the limited discovery we received from FGIC), we were able to complete an analysis that demonstrated to us that the recoveries to FGIC-Wrapped Holders would be materially better under the Rehabilitation Plan than under the ResCap Settlement.

ANALYSIS

12. To compare the recoveries of FGIC-Wrapped Holders under the ResCap Settlement versus the Rehabilitation Plan, we first estimated the percentage recoveries under each using the Rehabilitator’s and/or FGIC’s own numbers as to future claims under the Policies. Then we applied this estimate of future claims to percentage recoveries under the ResCap Settlement Agreement and under the Rehabilitation Plan. We then calculated recoveries under the ResCap Settlement versus the Rehabilitation Plan to our view of Freddie Mac’s projected losses with respect to the FGIC-Wrapped Securities it holds. Next, we calculated recoveries under the ResCap Settlement versus the Rehabilitation Plan to the projected losses to FGIC-Wrapped Holders generally. In both cases, we concluded that recoveries to FGIC-Wrapped Holders under the Rehabilitation Plan are materially superior to recoveries under the Settlement Agreement. Our analysis is attached is summarized as Exhibit A to this Declaration.

Percentage Recovery: ResCap Settlement

13. In analyzing the ResCap Settlement, we believe that FGIC-Wrapped Holders generally will receive a recovery on their claims under the Policies approximately 20

cents on the dollar. The Affirmation of Gary T. Holtzer in Support of the ResCap Settlement (Exhibit 10 to the 9019 Motion, the “Holtzer Affirmation”) estimates that there are \$789 million in claims currently pending against FGIC, with additional claims in excess of \$400 million that will arise under the Policies in the future, totaling approximately \$1.2 billion in claims. (Holtzer Affirmation ¶¶ 5, 21.)

14. In the report the Trustees allegedly relied upon by their advisor, Duff & Phelps, in assessing the ResCap Settlement Agreement and the FGIC Commutation (the “Duff & Phelps Report,” Bates Nos. DUFF-MS 00011-19), claims currently pending against FGIC were estimated at \$789 million, with expected future losses totaling an estimated \$481 million, for a total expected claim against FGIC related to the FGIC-Insured Trusts for \$1.27 billion. The FGIC Commutation would also provide that the FGIC-Insured Trusts would no longer be required to pay premiums on the Policies. The Trustees’ expert estimates that the present value of Policy premiums waived by the FGIC and retained by the FGIC-Insured Trusts would total \$18.3 million. (Duff & Phelps Report at 3.) This savings would be added to the FGIC Commutation Payment, as the forgone premiums would be an additional source of cash to be distributed to FGIC-Wrapped Holders.

15. Dividing \$1.27 billion of total claims into the \$253.3 FGIC Commutation Payment plus the \$18.3 million in waived premiums would provide for a recovery of approximately 21.4 cents on the dollar, using the numbers assumed by the Rehabilitator and the Trustees’ expert, which appears to have generally incorporated the Rehabilitator’s numbers in its analysis:

$$\frac{\$253,300,000(\text{CommutationPayment}) + \$18,300,000(\text{WaivedPolicyPayments})}{\$1,270,000,000(\text{PolicyClaims})} = 21.3858\%$$

(See Duff & Phelps Report at 3; Holtzer Affirmation ¶¶ 5, 21.)

16. The approximate 21.4-cent recovery assumes that the FGIC's liabilities to the for the FGIC-Insured Trusts will not exceed \$1.270 billion. To date, neither FGIC nor the Rehabilitator has made any updated disclosures related to the magnitude of liabilities under the Policies. Because we were not provided with information sufficient to form our own analysis of the magnitude of estimated claims against FGIC arising under the Policies, we used the numbers used in the Rehabilitator's and FGIC's own analysis (incorporated into the Duff & Phelps Report).

17. Recoveries under the ResCap Settlement to FGIC-Wrapped Holders would not include the "litigation upside" of potential recoveries in FGIC's lawsuits/claims against ResCap and other mortgage servicers/originators for, among other things, breach of representations and warranties as to the value of the collateral securing the RMBS for which FGIC wrote policies. As set forth paragraph 13 of the Holzer Affirmation, if the ResCap Settlement Agreement is approved, FGIC's direct claims against ResCap would be settled for an allowed, unsecured claim of \$934 million, of which FGIC estimates it will receive a cash recovery of \$206.5 million. We assume that, if the ResCap Settlement is not approved, FGIC would receive at least \$206.5 million on account of its direct claims against ResCap. Any such recoveries would be distributed to satisfy the claims of all FGIC policyholders.

18. As set forth in the Miller Affidavit, it is expected that there will be a total of approximately \$6.3 billion in claims against FGIC. (Miller Affidavit Ex. 1, p 6.) Dividing this number into the \$1.27 billion of the claims of FGIC-Wrapped Holders, we expect that, if the ResCap Settlement Agreement were not approved, FGIC-Wrapped Holders would receive a pro rata share of 20% of any litigation recoveries, for a total of at least \$41.3 million on account of FGIC's litigation against ResCap.

Percentage Recovery: Rehabilitation Plan

19. In assessing recoveries under the Rehabilitation Plan, we relied upon the *Affidavit of Michael W. Miller in Further Support of First Amended Plan of Rehabilitation* the “Miller Affidavit”), filed in the Rehabilitation Proceeding in connection with Motion Sequence No. 4. The Rehabilitation Plan provides that the holders of FGIC policy claims will receive payments of 17.25% of the total amount of their claims against FGIC (the “Cash Payment Percentage” or “CPP”), which will be adjusted over time to account for runoff of exposure to future policy claims, the maintenance and appreciation of FGIC’s assets, as well as the actual realization of estimated claim under FGIC-issued policies. (*See Miller Affidavit* ¶¶ 22-25.)

20. The Miller Affidavit estimates that recoveries will be paid out, over time, from 2012 through 2052, though the majority of recoveries will be paid out through by 2017. (Miller Affidavit Ex. 1, p., 6.) The Miller Affidavit contemplates that FGIC-Issued policy claims will be paid in two ways: policyholders will receive CPP of varying percentages from 2012 through 2047, with deferred payment obligations (“DPO”) to be paid through 2052 to the extent FGIC has excess cash available after all direct policy-related claims are paid.

21. To account for the delayed payout through 2052, the Miller Affidavit discounts the payment streams to present value using discount rates of 10% through 20%. The discount rate is meant to account for both the time horizon over which claims are paid, as well as to adjust for the riskiness of future cash flows. This permits an “apples-to-apples” comparison with the ResCap Settlement recoveries, which would be paid out at once, as opposed to being paid over time.

22. The Miller Affidavit estimates the present value of recoveries differ with respect to certain assumptions under two scenarios: the “Base Scenario,” which assumes

relatively smaller future claims under FGIC-issued policies on account of a more favorable economic climate and a “Stress Scenario,” which projects higher policy-related claims based on an unfavorable economic climate. For the reasons set forth below, we believe that the “Base Scenario” is far more likely to occur.¹

23. Recoveries under the “Base Scenario” are estimated to be between 27 and 30 cents on the Dollar, depending on the discount rate used, as summarized below:

Percentage Recovery under Rehabilitation Plan: Base Scenario

<u>Discount Rate</u>	<u>Percentage Recovery: Rehabilitation Plan</u>
10%	30%
15%	28%
20%	27%

24. The “Base Scenario” assumes “FGIC’s then-current expectation of future Claims, investment performance, recoveries, financial markets and other factors of relevance to CPP Revaluations bases on circumstances, events and projections that FGIC anticipates are reasonably likely to occur.” (Rehabilitation Plan Ex. A, p. A-2.) It my opinion that, if the economy improves even more than is contemplated by the “Base Scenario,” the present value of cash payments would likely exceed the 27-30 cent range.

25. By contrast, under the “Stress Scenario,” the present value of recoveries under the Rehabilitation Plan are estimated to be between 17 and 18 cents on the Dollar. (Miller Affidavit Ex. 1, p. 7.) Unlike the “Base Scenario,” the “Stress Scenario” assumes “a non-

¹ Indeed, the Base Scenario portrays FGIC’s expected performance during the Run-Off Period, including expected aggregate payments on policy claims. The Stress Scenario portrays a more conservative loss scenario envisioning a severe economic recession characterized by sharp declines in home prices and financial markets, significant unemployment, high mortgage default rates, and other negative economic indicators. As mentioned above, based on industry research it is the opinion of IPS that the base case scenario is far more likely to occur than the stress case.

catastrophic scenario envisioning a severe economic recession that is accompanied by (i) sharp declines in home prices and the financial markets, (ii) significant unemployment, (iii) high mortgage default rates and (iv) other negative indicators of potential relevance to FGIC's insured exposures." (Rehabilitation Plan Ex. A, p. A-14.)

26. Based on my assessment of current market conditions, we believe that the "Stress Scenario" by nature is extremely conservative, assuming an economic downturn equivalent to the 2008 economic crisis. Given the rarity of such events, we believe that the "Base Scenario" is far more likely to occur in the future than the "Stress Scenario." Accordingly, we use the "Base Scenario" when assessing the recoveries to FGIC-Wrapped Holders under the Rehabilitation Plan. Furthermore, we believe that the discount rates of 10% to 20% are sufficiently high to apply in the circumstances taking into account FGIC's portfolio.

Freddie Mac's Recoveries: ResCap Settlement versus Rehabilitation Plan

27. To understand Freddie Mac's recoveries under the ResCap Settlement versus the Rehabilitation Plan, we first estimated Freddie Mac's losses with respect to the FGIC-Wrapped Securities it holds. Indeed, Freddie Mac's losses related to FGIC-Wrapped Securities are critical to our analysis here as they identical to Freddie Mac's future claims against the Policies: any loss to a FGIC-Wrapped Holder related to a FGIC-Wrapped Security translates directly to a loss to a claim under the Policies.

28. Freddie Mac holds over \$3.055 billion in original face amount of various tranches of RMBS held in nine of the ResCap Trusts covered by the Policies, the payment of principal and interest due being guaranteed by FGIC. Freddie Mac's holdings in the FGIC-Insured Trusts are summarized in the chart below:

Freddie Mac Holdings of FGIC-Insured RMBS

<u>CUSIP</u>	<u>Original Face Amount of Holdings</u>	<u>Current Face Amount of Holdings</u>	<u>Description of RMBS Instrument</u>
7609854V0	\$175,000,000	\$8,412,245	RAMP 2004-RZ2 AII
7609857G0	\$346,990,000	\$17,844,376	RAMP 2004-RS7 A2A
76110WB88	\$337,500,000	\$16,900,180	RASC 2004-KS7 A2A
76112BL99	\$494,922,000	\$97,343,261	RAMP 2005-RS9 AII
361856BG1	\$123,222,000	\$3,221,145	GMACM 2001-HE2 IIA7
38012EAA3	\$646,768,000	\$135,182,334	GMACM 2006-HE5 1A1
74924XAE5	\$326,812,000	\$122,091,499	RASC 2007-EMX1 A2
76112BR36	\$405,004,000	\$87,242,343	RAMP 2005-NC1 AII
76112BR85	\$199,376,000	\$ 34,284,787	RAMP 2005-EFC7 A2
<u>TOTALS</u>	<u>\$3,055,594,000</u>	<u>\$522,522,170</u>	

29. For each collateral portfolio analyzed, IPS Analysts create CPR (prepay), CDR (default), and loss severity assumptions, along with any other assumptions needed on an individual security basis. These assumptions are based on key characteristics of the collateral that are found in the data tape and/or deal documents. IPS' key loan characteristics include FICO, LTV, Loan Type, Occupancy, Loan Purpose, Prepayment Penalties, Loan Balance, Performance History (if applicable), Seasoning (age of security), Housing Price Appreciation, Geographic Location, and any other applicable collateral characteristics.

30. The assumptions (CPR, CDR, and Severity) are primarily derived from a combination of some or all of the following: industry performance research, internal expertise, Dealer market and sector research, Dealer performance assumptions (based on conversation and research reports), and the IPS database comparing market assumptions for similar collateral pools. Changes in the IPS assumptions are driven by actual or forecasted changes in the condition of the underlying collateral, market expectations, and credit expectations.

31. IPS utilizes Intex cash-flow models to perform our analysis. IPS analysts estimate the projected principal, interest and losses expected for each security by inputting the

various collateral performance assumptions and deal cash flow model assumptions.

32. The assumptions (CPR, CDR, and Severity) are primarily derived from a combination of some or all of the following: industry performance research, internal expertise, Dealer market and sector research, Dealer performance assumptions (based on conversation and research reports), and the IPS database comparing market assumptions for similar collateral pools. Changes in the IPS assumptions are driven by actual or forecasted changes in the condition of the underlying collateral, market expectations, and credit expectations.

33. IPS utilizes Intex cash-flow models to perform our analysis. IPS analysts estimate the projected principal, interest and losses expected for each security by inputting the various collateral performance assumptions and deal cash flow model assumptions.

34. We discounted these future losses using the same discount rates used in the Miller affidavit, i.e., discount rates of 10% to 20%. Using these tools, we estimate that Freddie Mac will realize a present value of actual and estimated losses (the "Freddie Mac Losses") on the FGIC-Wrapped Securities it holds in as follows:

Freddie Mac Losses

<u>Discount Rate</u>	<u>Freddie Mac Losses</u>
10%	\$113,822,080.12
15%	\$108,208,256.17
20%	\$104,106,608.76

35. Under the ResCap Settlement (with a 21.4% total recovery, which includes waived Policy premiums) Freddie Mac would realize the following recoveries, given the range of discount rates used:

Freddie Mac Recoveries under the ResCap Settlement

<u>Present Value of Freddie Mac Future Losses</u>	<u>21.4% Recovery under ResCap Settlement</u>
10% Discount Rate	\$ 29,091,998.18
15% Discount Rate	\$ 29,091,998.18
20% Discount Rate	\$ 29,091,998.18

36. By contrast, Freddie Mac would realize the following recoveries under the Rehabilitation Plan under the more likely Base Scenario, which also must be further adjusted to account for the pro rata distribution of the “litigation upside.” Freddie Mac’s share of the litigation upside would be its pro rata share of the \$41.3 million litigation upside to all FGIC-Wrapped Holders, which claims are estimated by the Rehabilitator and FGIC to be \$1.27 billion:

Freddie Mac Share of the Litigation Upside

<u>Present Value of Freddie Mac Future Losses</u>	<u>Pro Rata Share of \$1.27 Billion of Aggregate FGIC-Wrapped Holder Claims</u>	<u>Share of \$41.3 Million “Litigation Upside”</u>
10% Discount Rate	2.2838%	\$1,172,904.00
15% Discount Rate	2.1357%	\$882,044.10
20% Discount Rate	2.0906%	\$863,417.8

37. After calculating the above share of the “litigation upside” attributable to Freddie Mac if the ResCap Settlement is not approved, we estimate Freddie Mac’s recoveries under the Rehabilitation Plan to be as follows:

Freddie Mac Aggregate Recoveries under the Rehabilitation Plan

Present Value of Freddie Mac Future Losses	Base Scenario: <u>27% Recovery</u>	Base Scenario: <u>28% Recovery</u>	Base Scenario: <u>30% Recovery</u>	<i>Cf. ResCap Settlement: <u>21.4% Recovery</u></i>
\$11,691,176.84 (10% Discount Rate)			\$40,783,175.03	\$ 29,091,998.18
\$8,972,298.51 (15% Discount Rate)		\$38,064,296.69		\$ 29,091,998.18
\$7,612,859.34 (20% Discount Rate)	\$36,704,857.52			\$ 29,091,998.18
Plus “Litigation Upside”	\$863,417.80	\$882,044.10	\$1,172,904.00	
<u>TOTAL</u>	<u>\$37,568,275.32</u>	<u>\$38,946,340.79</u>	<u>\$41,956,079.03</u>	

38. Freddie Mac’s recoveries under the Rehabilitation Plan, as the Rehabilitator’s advisors’ estimates show, provide a far better recovery than under the ResCap Settlement, and the Rehabilitation Plan is accordingly in Freddie Mac’s best interests given the highly disparate recoveries under the Rehabilitation Plan versus the ResCap Settlement. Indeed, as is the case with other FGIC-Wrapped Holders, Freddie Mac would receive a 21.4% recovery on its claims under the ResCap Settlement, but would do considerably better under the Rehabilitation Plan (the discount rates account for the riskiness of a payout over time), receiving a 27% to 30% projected recovery. Freddie Mac (which owns 100% of the in all but one of the FGIC-wrapped tranches it owns) is therefore a good proxy for FGIC-Wrapped Holders generally, and, as is the case for Freddie Mac, the ResCap Settlement is likewise not in the best interests of FGIC-Wrapped Holders in the aggregate.

FGIC-Wrapped Holders’ Recoveries: ResCap Settlement versus Rehabilitation Plan

39. To understand FGIC-Wrapped Holders’ recoveries generally under the ResCap Settlement versus the Rehabilitation Plan, we used the Rehabilitators estimates of FGIC’s total present value of estimated claims exposure set forth in the Holtzer Affidavit and the Duff & Phelps report. As mentioned above, this exposure is estimated at \$1.270 billion: \$786 million in current claims plus \$489 million in estimated future claims.² Such claims would be satisfied by a one-time payment of \$253.3 million, a 21.4% recovery (as mentioned above)

40. By contrast, FGIC-Wrapped Holders generally would realize the following recoveries under the Rehabilitation Plan under the more likely Base Scenario:

FGIC-Wrapped Holders’ Aggregate Recoveries under the Rehabilitation Plan

Present Value of FGIC-Wrapped Holders’ Losses	Base Scenario: 27% Recovery	Base Scenario: 28% Recovery	Base Scenario: 30% Recovery	ResCap Settlement: 21.4% Recovery
\$1,270,000,000	\$342,900,000	\$355,600,000	\$381,000,000	\$253,000,000
Plus “Litigation Upside”	\$41,300,000	\$41,300,000	\$41,300,000	
Plus Waived Policy Premiums				\$18,000,000
TOTAL	\$384,200,000	\$386,900,000	\$422,300,000	\$271,300,000

41. Like Freddie Mac’s recoveries, FGIC-Wrapped Holders’ recoveries under the Rehabilitation Plan, as the Rehabilitator’s advisors estimates show, provide a far better recovery than the \$253.3 lump sum payment plus \$18.3 million waived Policy premiums under the ResCap Settlement. As was the case with Freddie Mac individually, the Rehabilitation Plan is accordingly in best interests of FGIC-Wrapped Holders generally given the highly disparate

² It is unclear whether the \$489 million is discounted to present value from the Holtzer Affirmation.

recoveries under the Rehabilitation Plan versus the ResCap Settlement.

CONCLUSION

42. In sum, based upon my experience and the analysis set forth above, I believe that it is reasonable to conclude that the FGIC-Wrapped Holders would receive materially superior recoveries under the Rehabilitation Plan than under the ResCap Settlement. It is therefore my conclusion that the ResCap Settlement is not in the best interests of the FGIC-Wrapped Holders.

RESERVATION OF RIGHTS

43. We reserve the right to amend and supplement this Declaration upon receipt of any new or updated information that may be produced either in documents and/or testimony in this matter. In addition, we reserve the right to submit a rebuttal report and/or otherwise amend and/or supplement this Declaration at any time for any reason.

I declare under penalty of perjury that the information set forth in this Declaration is true and correct to the best of my knowledge, information, and belief.

Dated: July 19, 2013
Denver, Colorado

/s/ Scott R. Gibson
Scott R. Gibson
MountainView IPS, LLC
999 18th Street, Suite 1001
Denver, Colorado 80202

Exhibit A

Curriculum Vita: Scott R. Gibson

Scott R. Gibson

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Denver, CO 80202
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sgibson@mv-ips.com
office: 303-633-4751
cell: 720.266.7016

Profile

Finance professional with over 15 years of experience in Fair Value analysis, residential loan portfolio valuation, RMBS / ABS modeling, quantitative analysis, analytic processes development, and investment portfolio reporting. Recognized for significant contributions to valuation process improvements, cash-flow model development, and administration of valuation procedures. Established track record for conducting and supporting accurate Fair Value opinions in accordance with SFAS 157 / ASC 820 guidelines. Requested to present on industry conferences as an expert on residential loan and RMBS valuation and modeling methods.

Residential Loan Valuation	VBA programming	INTEXdesktop/net
MBS, ABS, RMBS modeling	Valuation Process Development	Bloomberg
CDS analysis (single-name RMBS)	Access Database Design	Compass Analytics

Experience

MountainView IPS, LLC., Denver, CO (2012-Current)

SVP, IPS & Analytics

Director of MountainView Independent Pricing Service (IPS) business unit, responsible for overseeing all aspects of the valuation processes and procedures, valuation report presentation, and managing IPS personnel.

- **Valuation Experience:** Oversight of the IPS Fair Valuation process, presentation of valuation results and support of valuation for audit review. IPS conducted residential loan portfolio valuations for over \$20 billion in un-paid principal balance (UPB), and in excess of 30,000 RMBS / ABS / CMBS securities valuations from 2011 to 2012. IPS business has been in existence as a third party pricing service since 2003.
- **Residential Loan Analysis:** Managed residential loan transition-rate modeling effort in support of improved residential loan performance forecasting methodology. Loan database consisted of over 23 million historical residential loan records spanning 10+ historical years.
- **Presentations:** Conducted residential loan and RMBS market performance presentation to Office of the Comptroller of the Currency (OCC) examiners.

Clayton IPS, LLC., Denver, CO (2005-2012)

VP, Director of Operations

Director of operations for Clayton IPS, responsible for developing valuation processes and procedures, new business development, valuation report presentation, and managing IPS personnel.

- **Sales:** From mid-year 2007 to year-end 2009, increased IPS client count and annual revenue by 313% and 233%, respectively.
- **Innovation:** Designed VBA automation for forecasting and stressing core residential loan collateral assumptions for use in cash-flow modeling. Conducted data process development for management of monthly portfolio valuations. Process improvements focused on maintaining consistency of analysis for all client portfolios accounting for cross-over of underlying collateral pools, enabled IPS to significantly grow client base, improve valuation accuracy and implement product specialization.
- **New Product Development:** Designed and developed stress test and portfolio reporting for improved client portfolio analysis. Researched Financial Accounting Standards Board (FASB) statements pertaining to valuation (SFAS 157) and recording of other than temporary impairments (OTTI; SFAS 115 and EITF 9920), developed IPS valuation methodology and documentation to adhere with new guidelines and provided OTTI analyses for the separation of credit loss from non-credit related write-downs.
- **Presentation:** Conducted comprehensive Fair Valuation methodology presentations to all new business clients, investors, major accounting firms and NCUA national examiners.

Manager

Directed the Clayton IPS RMBS / ABS portfolio analytics and reporting group. Oversight and development for residential mortgage-backed securities (RMBS) portfolio analytics and reporting products. Developed database design, trustee remittance data acquisition process, and automated report generation process. Responsible for managing team of analysts, presenting portfolio analytics and new business development.

- **Innovation:** Created VBA programing to automate the data management and analytics required for residential mortgage-backed security (RMBS) portfolio performance reports. Developed VBA program to manage download and monitoring of monthly remittance data acquisition.
- **CDS Analysis:** Designed Access database process for monitoring counterparty payments for single-name credit default swaps (CDS) backed by RMBS reference obligations. Project consisted of CDS contract review, development of required analytics, data-table design and final report output. Utilized by clients to verify counterparty payments and receivables for CDS portfolios on over 500 CDS contracts monthly.
- **RMBS Modeling:** Managed Clayton's Bond Payment Shadowing (BPS) project consisting of excel based modeling of RMBS cash-flow / waterfall structures. BPS was utilized to identify inaccuracies of Trustee remittance and analyze projected cash-flows. Examples of model development included: interest rate cap/swap calculations, structural triggers analyses, and cross-collateralization modeling along with all other core modeling features.

CoreBrand, LLC., Stamford, CT (1997-2002)

Manager - Financial Analysis

Managed the analytics group for a corporate communications consulting firm servicing Fortune 1000 companies. Designed and maintained database of proprietary corporate research and financial analytics, conducted statistical analysis and development of reporting deliverables. Position included presentation of analysis to executive boards of fortune 500 companies, statistical analysis, and supervision of annual strategic survey of 8000 executives of the top 20% revenue producing companies.

- **Innovation:** Revitalized and developed recognition for firm's proprietary database by refining our interactive executive survey and integrating corporate financial analytics.
- **Analysis Automation:** Designed multiple Excel based programs that automated data analysis and report generation, effectively reducing project completion cost by 65%. Substantially improved analytical accuracy and efficiency.
- **New Product Development:** Designed and developed a syndicated financial industry annual report. Report automation improved internal revenue-to-project cost ratio by approx. 60%.
- **Sample Presentation/Client List:** The Hartford, Thompson Financial, Texaco, ExxonMobil, Teco Energy, Southern Company, Cendant, Sharp Electronics, Eastman Chemical, Air Products & Chemicals, Fortune Brands and Hyperion Solutions.

Research Analyst

Responsible for research and analysis of financial and survey driven data for 800 of the Fortune 1000 Companies. Utilized Visual Basic (VBA) programming to facilitate automation of Microsoft Excel based data analysis and report development. Analysis included database structure, process development, and report output design.

Education

Lehigh University, Bethlehem, PA, B.S. Material Science & Engineering (1997)

Project Lead on metallurgical fracture analyses and engineering projects.

Presentation Experience

- Buying & Selling Distressed Mortgage Portfolios Forum 2013 – The Importance and Determination of Fair Value, New York NY
- OCC 2012 – Residential loan and RMBS market performance presentation
- ABS East Conference 2011– Fair Valuation Panel 2011, Orlando FL
- Legal Mediation 2011 – Presented residential loan valuation in support of counterparty litigation
- SEC Deposition 2010 – Provided testimony associated with IPS valuation methodology
- NCUA Examiners Conference 2009 – Presentation on Fair Valuation and RMBS modeling
- Clayton Holding Conference – CDS of ABS Modeling Presentation, New York NY
- Denver University – Panel Presentation on CDO structure and Valuation, Denver CO

Legal Related Experience

- Expert Witness 2013 – Residential whole loan valuation and expert witness support
- Legal Mediation 2011 – Presented residential loan valuation in support of counterparty litigation
- SEC Deposition 2010 – Provided testimony associated with IPS valuation methodology

Valuation Experience

RMBS / ABS / CMBS Valuations

- > 30,000 Securities Valuation since 2011
- IPS has provided Independent Fair Value analysis since 2003

Residential Whole Loan Valuations

- ~\$20B in UPB (over past 2 years)
- ~\$500mm UPB per month
- Bank M&A Valuation, Monthly loan portfolio valuations
- Counterparty Litigation Support – Sept 2011
 - \$400mm UPB Residential Whole Loan Valuation
 - \$228mm Reverse Mortgage Pool (Conducted Mediation Support with favorable outcome for Client)

Sidman Declaration Exhibit # 4

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

In Re:

Residential Capital, LLC, et al.,

Debtors.

Case No. 12-12020 (MG)

Chapter 11

Jointly Administered

**EXPERT WITNESS REPORT OF
CHARLES R. GOLDSTEIN**

**PURSUANT TO RULE 26(a)(2) OF THE
FEDERAL RULES OF CIVIL PROCEDURE**

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EXHIBITS

EXHIBIT A: Curriculum Vitae of Charles R. Goldstein

EXHIBIT B: Documents Relied Upon

I. Assignment

1. I was retained by Willkie Farr & Gallagher LLP ("Counsel") to provide an independent assessment of whether the FGIC Settlement was in the best interest of those who hold investments in certain ResCap Debtors' trusts (the "FGIC-ResCap Policyholders") from an economic perspective. In addition, I was also asked to assess and evaluate the opinion provided by Duff & Phelps Securities, LLC ("D&P") contained within the FGIC Commutation Proposal Discussion Materials dated May 15, 2013 (the "D&P Report"). D&P opined that the lump sum payment proposed in the FGIC Settlement¹ was "within the range of expected payments" compared to the net present value of the projected future payments to FGIC-ResCap Policyholders received from FGIC under the Rehabilitation Plan².
2. I understand the Trustees relied upon D&P as the sole financial advisor to the Trustees when determining whether to accept or to reject the FGIC Settlement. To my knowledge, the D&P Report was the only financial analysis provided to the Trustees that compared the payment and recovery estimates under the proposed FGIC Settlement with those under the Rehabilitation Plan.
3. A list of information, sources, and documents I considered in formulating my opinion is furnished in Exhibit B of this report ("Report"). Additionally, I have relied upon general consulting standards and principles, and my professional training and work experience to support my conclusions. These professional standards include Rule 102 Integrity and Objectivity and Rule 201 General Standards promulgated by the American Institute of Certified Public Accountants ("AICPA"), a professional trade organization responsible for establishing quality assurance standards for Certified Public Accountants and professionals involved in the audit, tax, and valuation consulting professions.

II. Qualifications

4. I am a Managing Director and lead the Restructuring & Litigation Services practice area of Protiviti Inc. ("Protiviti"), a global consulting and internal audit firm with approximately 70 offices in 20 countries and which employs approximately 2,500 consultants. I have a Bachelor of Arts in Economics, a Masters of Business Administration and Juris Doctorate from University of Maryland. I am a Certified Public Accountant, a Certified Insolvency and Restructuring Advisor, Certified in Financial Forensics, a member of the American Bankruptcy Institute, a

¹ The proposed settlement agreement entered into among Residential Capital, LLC and its fifty direct or indirect subsidiaries listed on Exhibit A to the Settlement Agreement (collectively, the "ResCap Debtors"), Financial Guaranty Insurance Company ("FGIC"), the Trustees of the ResCap Trusts including The Bank of New York Mellon, The Bank of New York Mellon Trust Company, N.A., Law Debenture Trust Company of New York, U.S. Bank National Association and Wells Fargo, Bank, N.A., each solely in their respective capacities as trustees, indenture trustees or separate trustees (the "Trustees") and a group of investors that hold securities issued by the ResCap Trusts (collectively, the "Settling Parties"), dated as of May 23, 2013 (the "FGIC Settlement").

² The First Amended Plan of Rehabilitation for Financial Guaranty Insurance Company (the "Rehabilitation Plan"). April 12, 2013.

member of the American Institute of Certified Public Accountants, and a member of the Association of Insolvency & Restructuring Advisors.

5. During my career, I have performed financial and accounting analyses and testified as an expert in a broad range of litigation matters involving forensic accounting, fraud, fraudulent conveyances, business valuation, breach of contract, lost profits, damages, intellectual property valuation, and bankruptcy. I have provided consulting services for companies and their counsel in a variety of industries including, but not limited to, insurance, financial institutions and funds, energy, healthcare, manufacturing, real estate, retail, technology and telecommunication. I have also served in several fiduciary roles including Chief Restructuring Officer, Chief Financial Officer, and Trustee to troubled companies or debtor organizations.
6. I have attached as Exhibit A my current curriculum vitae providing a more detailed description of my experience and qualifications and a listing of my more recent trial and deposition testimony experience.
7. Under my direction, I received assistance from the professional staff at Protiviti. My firm is compensated for my time at an hourly rate of \$650 per hour. Our staff charges between \$170 and \$650 per hour depending on their level within the firm. Our fees are not contingent on the outcome of this case or any other litigation matter.

III. Opinions

8. Based on the information provided and in light of, among other things, the size of the initial CPP payment and the substantial contingent recoveries that are expected to be available to FGIC that were not included in FGIC's recovery analysis as value available to policyholders, the FGIC Settlement is not in the best interests of the FGIC-ResCap Policyholders from an economic perspective compared to the recoveries potentially available under the FGIC Rehabilitation Plan. See paragraphs 29 to 31 for a discussion of this calculation.
9. It is my opinion that no third-party would be able to reasonably rely upon the D&P Report to develop a well-founded conclusion regarding the best interests of the FGIC-ResCap Policyholders in comparing the FGIC Settlement to the Rehabilitation Plan without being privy to substantially more complete and clearly sourced financial information. Based on the limited information provided in the D&P Report, it is my opinion that the calculation performed on pages 8 and 9 (collectively, the "FGIC-ResCap Claims Recovery"), pursuant to the terms of the Rehabilitation Plan, is structured inadequately, excludes necessary disclosures, and fails to consider the potential upside that is available to the FGIC-ResCap Policyholders in the Rehabilitation Plan.

IV. Key Points Supporting My Opinions

10. On May 15, 2013 D&P issued the D&P Report evaluating the proposed FGIC Settlement. As referenced above I understand that the Trustees relied upon D&P as the sole financial advisor to the Trustees when determining whether to accept or to reject the FGIC Settlement.

11. In my analysis of the D&P Report, I identified inconsistencies, omissions, and the absence of relevant information that is necessary to validate, recompute, and assess the conclusions derived by D&P. The D&P Report is comprised of three components: the Executive Summary, FGIC Settlement Proposal, and FGIC Plan of Rehabilitation.
12. The Executive Summary provides a comparison of the FGIC Settlement to the payouts provided under the Rehabilitation Plan. This comparison is misleading because it only provides one risk of the FGIC Settlement and many risks associated with the Rehabilitation Plan. One of the identified risks of the Rehabilitation Plan is the risk associated with outstanding FGIC-ResCap Residential Mortgage Backed Securities ("RMBS") litigation issues. This is inappropriately listed as a risk associated with Rehabilitation Plan, because recoveries from such litigation are not factored into the projected recoveries under the Rehabilitation Plan. In fact, pending litigation matters involve minimal downside, consisting solely of professional fees and a potentially significant upside benefit. The FGIC's own regulatory filings have projected the upside at more than \$1 billion in gross recoveries for various loss mitigation activities, such as the pursuit of litigation claims³.
13. The Executive Summary also states that both the FGIC Settlement and the Rehabilitation Plan include a large up-front payment to the FGIC-ResCap Policyholders on or around December 2013. The FGIC Settlement provides an up-front payment of \$253.3 million and the Rehabilitation Plan provides an up-front payment of between \$150 million and \$163 million. The primary differentiating factor between the two options is the FGIC Settlement provides a greater incremental upfront payout of between \$90.3 and \$103.3 and the Rehabilitation Plan provides the future cash flows in outlying periods (with greater than 70% of claims expected to arise in the first five years)
14. The D&P Report did not provide a basis for the discount rate used in their analysis or an explanation supporting the decision to exclude potential recoveries from loss mitigation activities.
15. While the D&P Report cites stale financial projections and claims estimates as a risk for recoveries under the Rehabilitation Plan, market conditions such as residential home prices, unemployment rates, and residential mortgage default rates have improved indicating that the Rehabilitation Plan projections may have been more conservative than is acknowledged in the materials, provided by FGIC.

Cash Commutation Paid by FGIC

16. The FGIC Settlement Proposal section of the D&P Report incorporates a schedule summarizing the calculation of the \$253.3million cash commutation proposal (the "Cash Commutation Payment").
17. According to the D&P Report, the aforementioned terms of the FGIC Settlement were proposed and calculated as follows:

³ See Quarterly Statement of the Financial Guaranty Insurance Company as of March 31, 2013, p. 6.16.

(\$'s in millions)

Information Points

Initial Cash Payment Percentage (CPP)	17.25% [A]
Base Case Payout (NPV @15%)	28.50% [B]
ResCap Sponsored RMBS Claim (Per FGIC)	\$ 1,850.0
Less: Cost, Interest, etc.	(236.0)
Total Projected Claims in POC	1,614.0
Claims Paid to Date	344.0 [C]
Estimated Unpaid Claims	1,270.0
Accrued and Unpaid ("A&U") Claims (as of 3/31/13)	789.0 [D]
Future Estimated Claims	481.0 [E]

Commutation Consideration

Claims - A&U - Cash at Initial CPP	\$ 136.1 [F] = [A] x [D]
Claims - A&U - Base Case Payout less Initial CPP	88.8 [G] = [B] x [D] - [F]
Claims - Future Estimated Claims at Base Case Payout	137.1 [H] = [B] x [E]
Subtotal	\$ 225.8 [I] = [G] + [H]
Factor % of Unpaid Payout	60.0% [J]
Value Attributable to Estimated Unpaid Claims	\$ 135.5 [K] = [I] x [J]
Total Value to Trusts	271.6 [L] = [F] + [K]
Less: Premiums waived by FGIC and retained by Trusts	18.3 [M]
Cash Commutation paid by FGIC	\$ 253.3 [N] = [L] - [M]

FGIC Allowed Claims

Prior Claims Paid	\$ 344.0 [C]
Cash Commutation	253.3 [N]
Amount of FGIC Allowed Claim	\$ 597.3 [C] + [N]

18. The calculation of the Cash Commutation Payment is based on several critical inputs and assumptions that are not identified and/or supported. These inputs and assumptions significantly impact the value of the Cash Commutation Payment. Key examples are presented below:

- i. **Unsupported Discount Rate** - The 15% discount rate utilized in the Cash Commutation Payment calculation is not supported in the D&P Report. A discount rate, used for valuation purposes, is typically comprised of several components that are added together to determine an appropriate discount rate. The purpose of a discount rate is to reduce the value of projected cash flows to account for risk and uncertainty within the financial projections and can have a significant impact on the overall outcome of the calculation. I have seen no evidence that the discount rates that were used in the Cash Commutation Payment analysis have any validity.
- ii. **Forty Percent Reduction of Future Payment** - The "Factor % of Unpaid Payout" (reference [J] in the figure) appears to be a forty percent reduction of the subtotal of: i) accrued and unpaid claims (less initial Cash Payout Percentage ("CPP")); and ii)

future estimated claims (together with part (i), the "Unpaid Payout"). The reduction is described in the D&P Report as a "Haircut of 40% on unpaid payout claim estimates". The "haircut" reduces the Cash Commutation Payment by approximately \$90.4 million; however, it is not substantiated in the D&P Report. Applying a 40% "haircut", provides a Cash Commutation Payment of \$253.3 million. Absent this unexplained "haircut", and accepting the other components of the calculation for the purposes of this analysis only, the Cash Commutation Payment would be a minimum of \$343.7 million.

- iii. **Exclusion of Contingent Assets** – As illustrated in the figure above, the Cash Commutation Payment is derived from, among other things, the present value of the base case payout (reference [B] in the figure) calculated in the Updated Run-Off Projections, attached as Exhibit 1 to the Affidavit of Michael W. Miller in Further Support of Approval of First Amended Plan of Rehabilitation (the "Miller Affidavit"). The base case payout is directly impacted by the assumptions that were incorporated into the Updated Run-Off Projections that the Rehabilitator and its advisors utilized to analyze FGIC's ability to satisfy its financial obligations while maintaining the minimum policyholders' surplus. The base case payout percentage assumptions contain several conservative components and fail to provide a probability weighted assessment of FGIC contingent assets. For example, the projected future cash payments within the Updated Run-Off Projections represent 45% of the notional claims, but do not include potential recoveries from pending litigation. These recoveries may provide for a substantial increase in the total cash payments to FGIC policyholders and thus result in a higher payout than the Cash Commutation Payment.

19. The FGIC Plan of Rehabilitation section of the D&P Report discusses several payout scenarios to FGIC ResCap Trust Policyholders. This section does not provide supporting underlying documentation or an explanation of the assumptions utilized in the calculation. In order to assess the conclusions of the FGIC-ResCap Claims Recovery, I would need, at a minimum, the following clarifications and supporting documents:

- i. The "low case" and "high case" scenarios projected on an annual basis;
- ii. Clarification of what the "low case" and "high case" scenarios represent, including the basis and reasoning for the distinctions;
- iii. The assumptions and underlying data used to calculate the FGIC-ResCap notional claims and the timing of when the FGIC-ResCap claims will arise;
- iv. The calculations supporting the initial CPP payments, the supplemental CPP payments and the DPO payouts; and
- v. The rationale and calculation used to determine the reasonableness of a discount rate ranging from 10% to 20%.

20. The underlying data and assumptions used to prepare the FGIC-ResCap Claims Recovery may significantly impact the accuracy of the analysis and estimated value of the FGIC-ResCap

Claims. It is my opinion that no third-party would be able to reasonably rely upon the D&P Report to develop a well-founded conclusion relating to the best interests of the FGIC-ResCap Policyholders without being privy to additional information.

21. The absence of an explanation of the appropriate discount rate and the large variance between the discount rates used in the analysis indicates that D&P did not perform the necessary analysis to determine the appropriate discount rate. The impact on the net present value of the cash flow stream could vary significantly based on the results of the discount rate and this variance could alter the conclusions in the D&P Report.
22. The D&P Report utilizes a range of discount rates from 10% to 20% to calculate the FGIC-ResCap Claims Recovery. The D&P Report does not articulate the source of the range of discount rates. However, the same range of discount rates is used in the Miller Affidavit for illustrative purposes. The Miller Affidavit referenced multiple ranges of discount rates in their report from 3.5% to 20% and the only conclusion with regards to proper discount rates that should be utilized within the discounted cash flow calculation is "I believe that applying a discount rate of 3.6% or less would not be appropriate for the claims payment to FGIC policyholders".⁴ It would not be an appropriate use of the Miller Affidavit to utilize the illustrative discount rates contained therein. At no point does the Miller Affidavit draw any conclusions as to the appropriate discount rate to present value the recoveries under the Rehabilitation Plan. As discussed earlier, a discount rate is typically comprised of several incremental components added together to build up to a final discount rate, none of which are discussed in the D&P Report.
23. In the projections for the FGIC-ResCap-sponsored RMBS trusts, the specific risks associated with the future cash flows are the risk free rate plus risk premiums such as the risks associated with default rates, loss severities and prepayment speeds. The D&P Report does not quantify the specific risk premiums associated with the components of the discount rates utilized in their analysis.

Comparative Analysis of the Rehabilitation Plan and the FGIC Settlement

24. I prepared the following comparative analysis that quantifies the impact of utilizing the notional claims in the FGIC-ResCap Claims Recovery and the base scenario payout percentage contemplated in the Rehabilitation Plan to determine if there is a discernible relationship between the findings contained in the D&P Report and the treatment of FGIC-ResCap Policyholders in the Rehabilitation Plan.
25. For comparative purposes only, I assumed the analyses prepared by D&P and Lazard in support of the FGIC Settlement and Rehabilitation Plan are accurate and correct and are appropriately relied upon in all material respects. As previously explained, I was not provided the information and support necessary to independently verify the analyses or their underlying assumptions.

⁴ Affidavit of Michael W. Miller in Further Support of Approval of First Amended Plan of Rehabilitation. Page 11.

Furthermore, I have identified several inadequacies in various components of the D&P Report that call into question the reliability of the information contained therein.

<i>(\$ in millions)</i>	Rehabilitation Plan Base Case	FGIC Settlement
Total ResCap Claims	\$ 1,354 ¹	\$ 1,270 ²
Payout (NPV @ 15%)	<u>28.50% ³</u>	<u>19.94%</u>
Present Value of Claim Cash Commutation	<u>\$ 386</u>	<u>\$ 253 ⁴</u>

¹ Calculated as the average of the low case and high case ResCap notional claims included in the Duff & Phelps Report (pg. 8):

	ResCap Notional Claims
Low Case	\$ 1,162
High Case	1,546
Average	<u>\$ 1,354</u>

² Estimated unpaid claims pursuant to the FGIC Commutation Proposal, D&P Report (pg. 5).

³ Present value of Base Case payout, discounted at 15%, as calculated in the Updated Base Case Scenario attached as Exhibit 1 to the Affidavit of Michael W. Miller in Further Support of Approval of First Amended Plan of Rehabilitation.

⁴ Cash commutation payment pursuant to the Settlement Agreement.

26. Based on the present value of the expected recoveries in the base case of the Rehabilitation Plan, FGIC-ResCap Policyholders should expect to receive approximately 28.5% of their projected total claims on a present value basis, utilizing the 15% discount rate relied upon in the Cash Commutation Payment calculation. Absent additional information or support regarding the timing of when FGIC-ResCap Claims may occur and assuming total FGIC-ResCap Claims of \$1.35 billion, a FGIC-ResCap Policyholder should expect to receive the present value of total payments equaling approximately \$386 million under the terms of the Rehabilitation Plan using such assumptions. The Cash Commutation Payment calculated in the FGIC Settlement is significantly less than \$386 million calculated in the base case of the Rehabilitation Plan and no verifiable support was provided to warrant a reduction in the FGIC-ResCap Policyholder's expected payout.

D&P Report Does Not Include Upside Potential

27. The Cash Commutation Payment is structured as a one-time payment to be distributed to FGIC-ResCap Policyholders no later than three (3) business days after the effective date of the FGIC Settlement. As a result, FGIC-ResCap Policyholders will no longer be able to receive the potential upside benefits associated with the long-term payout structure of the Rehabilitation Plan. It is my understanding that FGIC may receive significant reimbursements from projected cash flows from the mortgage loans underlying the securities on which it has paid. In addition, neither Lazard, nor D&P, prepared a best case scenario illustrating further up-side potential, and the base scenario excluded recoveries that FGIC expects to receive in the normal course of operations; refer to paragraph 29 below.
28. The FGIC Settlement excludes contingent assets such as potential recoveries from pending litigation that relate to allegations of fraud and other causes of action in connection with RMBS transactions and the anticipated recovery in the ResCap Debtors' bankruptcy cases. Some of these contingent assets include:
- i. On December 11, 2009 FGIC filed a complaint against Countrywide Home Loans, and amended the complaint on April 30, 2010, alleging that Countrywide "made material misstatements and omitted to disclose material facts known to them (but unknown to FGIC), concerning [various] securitizations" inducing FGIC to insure those securitizations, and "breached certain representations and warranties."⁵ The complaint goes on to state that "the substantial and excessive default rate on [various] securitizations, and FGIC's resulting damages, are not primarily attributable to any general decline in the overall housing market or the economy, but instead were caused by the fraudulent scheme of Countrywide...and the resulting poor quality of the related Mortgage Loans". FGIC alleges that its total claims paid and liabilities incurred or to be incurred because of Countrywide's fraud and breaches on the various securitizations will be in excess of \$1B; with over \$640M having been paid by FGIC as of the amended complaint date, plus other costs.

Countrywide Home Loans and Bank of America have recently settled significant lawsuits with financial guaranty insurers on account of similar claims:

- Bank of America Corporation agreed to pay MBIA approximately \$1.6 billion in cash during the period ended March 31, 2013.⁶
- Bank of America Corporation agreed to pay Assured Guaranty Ltd. \$1.1 billion in cash by March 31, 2012.⁷
- Bank of America agreed to pay Syncora Holdings, Ltd., \$375 million in cash.⁸

⁵ Financial Guaranty Insurance Company v. Countrywide Home Loans, Inc., Supreme Court of New York, Index No. 650736/2009.

⁶ Bank of America Corporation, Form 8-K, May 6, 2013, Press Release.

⁷ Assured Guaranty Ltd. Announces Settlement with Bank of America, Assured Guaranty News, April 15, 2011.

- ii. On March 5, 2012, FGIC sued Ally Financial, Inc. alleging that the defendants fraudulently induced FGIC to insure \$693M in residential mortgage-backed securities and that they misrepresented the quality of the loans backing the transaction.⁹ FGIC alleges that the default rate was substantially higher than was anticipated and is now facing \$27M in insurance claims with more expected.

On March 14, 2012, FGIC filed another lawsuit against Ally alleging that Ally fraudulently induced FGIC into insuring two sets of mortgage-backed securities worth a total of \$1.87B by intentionally misrepresenting the quality of the underlying mortgage loan collateral.¹⁰ FGIC alleges it has paid out millions of dollars in claims due to the delinquencies and defaults in connection with the securities.

The ResCap Debtors filed bankruptcy May 14, 2012, in part due to the magnitude of the Debtors' potential liability for representation and warranty claims in connection with mortgage loans sold by the Debtors and the significant time and defense costs in respect of defending such claims.¹¹ The cornerstone of their Chapter 11 reorganization plan is the \$2.1 billion which Ally Financial, Inc. will contribute to the ResCap Debtors in exchange for a release of claims that could be brought by ResCap creditors.¹² Under the ResCap Debtors' proposed bankruptcy plan, FGIC is expected to receive an aggregate recovery on account of FGIC Allowed Claims of approximately \$206.5 million, which amount is not factored into the projected recoveries used to analyze the Cash Commutation Payment.¹³

- iii. On April 2, 2013, FGIC filed a complaint against Credit Suisse Securities LLC and DLJ Mortgage Capital.¹⁴ In this transaction, approximately 3,469 adjustable-rate home equity lines of credit with an aggregate unpaid principal balance of approximately \$250 million served as collateral for approximately \$244 million in mortgage-backed securities issued, whereby FGIC guaranteed the payment of principal and interest valued at approximately \$240 million. FGIC's claim states that "Credit Suisse's pre-closing representations were fraudulent, the warranties it made in the insurance agreement were false, and it willfully disregarded and frustrated its contractual covenants" allowing for defaults "at remarkable rates, resulting in

⁸ *Syncora Guarantee Settles its Countrywide Litigation*, July 17, 2012, Press Release.

⁹ *Financial Guaranty Insurance Company v. Ally Financial, Inc. F/K/A GMAC, LLC; Residential Capital, LLC; Residential Funding Company, LLC*, Southern District of New York 12-CV-1601.

¹⁰ *Financial Guaranty Insurance Company v. Ally Financial, Inc. F/K/A GMAC, LLC; Residential Capital, LLC F/K/A Residential Capital Corporation; Ally Bank F/K/A GMAC Bank; GMAC Mortgage, LLC F/K/A GMAC Mortgage Corporation*, Southern District Court of New York 12-CV-1818.

¹¹ Disclosure Statement. Docket #4157. Page 55.

¹² Disclosure Statement filed July 4, 2013.

¹³ If the ResCap Debtors' chapter 11 plan does not become effective, the value of the FGIC recovery from the ResCap estate is uncertain.

¹⁴ *Financial Guaranty Insurance Company v. Credit Suisse Securities LLC and DLJ Mortgage Capital*, Supreme Court of New York, Index No. 651178/2013.

losses...of over \$67 million. As a result, FGIC has paid, or is obligated to pay, more than \$41 million in claims...and is exposed to substantial future claim liability.”

29. According to FGIC’s own regulatory filings, FGIC has projected more than \$1 billion in gross recoveries from various loss mitigation activities, such as the pursuit of litigation claims.¹⁵ Those projected recoveries were reported by FGIC in its statutory financials filed with the Insurance Department of the State of New York in accordance with the Statement of Statutory Accounting Principles which requires (among other things) that such projections be conservative. These recoveries were not included in D&P’s assessment of whether the \$253.3 Cash Commutation Proposal is “within the range of reasonableness”. If D&P’s analysis was adjusted to incorporate these loss mitigation activities, the \$253.3 million offer is not in the “range of reasonableness” and, therefore, not in the best interest of the FGIC-ResCap Policyholders. See paragraphs 30 and 31 for further explanation of this calculation.
30. For the purposes of this analysis only, I accepted the D&P Report’s assumption that the allocation of ResCap sponsored RMBS trusts claims to the overall pool of claims is estimated appropriately at 10% to 24%. As previously explained, I was not provided the information necessary to independently verify these assumptions or their underlying support.
31. Applying the D&P assumptions regarding the allocation range to FGIC’s projected gross recoveries yields an incremental value to the FGIC ResCap Policyholders between \$105.9 million and \$254.1 million. Incorporating such values into the range of values in the Base and Stress Scenario calculated by Duff & Phelps, the Cash Commutation of \$253.3 is no longer in the range of expected payments. The adjusted Base Scenario ranges from \$325 million to \$594 million and the adjusted Stress Scenario ranges from \$295 million to \$504 million. See the following chart for calculations of these amounts.

¹⁵ See Quarterly Statement of the Financial Guaranty Insurance Company as of March 31, 2013, p. 6.16.

	10% Allocation of ResCap Claims to Overall Pool of FGIC Claims	24% Allocation of ResCap Claims to Overall Pool of FGIC Claims
Estimated Gross Expected Recoveries	\$ 1,058,632,000	\$ 1,058,632,000
D&P Report Allocation Percentage	10.00%	24.00%
ResCap Portion of FGIC Claims	<u>\$ 105,863,200</u>	<u>\$ 254,071,680</u>
 <u>Base Case Analysis</u>		
Low Range	\$ 220,000,000	\$ 220,000,000
ResCap Portion of FGIC Claims	<u>105,863,200</u>	<u>254,071,680</u>
Total	<u>\$ 325,863,200</u>	<u>\$ 474,071,680</u>
High Range	\$ 340,000,000	\$ 340,000,000
ResCap Portion of FGIC Claims	<u>105,863,200</u>	<u>254,071,680</u>
Total	<u>\$ 445,863,200</u>	<u>\$ 594,071,680</u>
 <u>Stress Scenario Analysis</u>		
Low Range	\$ 190,000,000	\$ 190,000,000
ResCap Portion of FGIC Claims	<u>105,863,200</u>	<u>254,071,680</u>
Total	<u>\$ 295,863,200</u>	<u>\$ 444,071,680</u>
High Range	\$ 250,000,000	\$ 250,000,000
ResCap Portion of FGIC Claims	<u>105,863,200</u>	<u>254,071,680</u>
Total	<u>\$ 355,863,200</u>	<u>\$ 504,071,680</u>

32. The FGIC Settlement includes a release of all claims of policyholders under the FGIC Policies and FGIC-ResCap Policyholders would not receive additional upside from contingent assets of FGIC.

V. Data & Other Information Considered in Forming Opinions Expressed Herein

33. In arriving at the testimony outlined above, I have based my opinions on my expertise in accounting, finance, and damages analysis, and my assessment of the various documents. Please see Exhibit B for a listing of documents relied upon to formulate my opinion. I reserve the right to supplement, amend, or modify my opinions should further information become available.

VI. Exhibits & Possible Revisions or Supplements to Report

34. Exhibit A and Exhibit B are attached herein. I reserve the right to provide additional exhibits as and when they become available. I also reserve the right to supplement, amend, or modify my opinions based upon information that I have received and additional information I may receive

in the future, including any opinions expressed by the Investors, their representatives, or their experts.

Respectfully submitted by:



Charles R. Goldstein
July 19, 2013

EXHIBIT A

Charles R. Goldstein Managing Director *Litigation, Restructuring & Investigative Services*

Contact Information
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Areas of Expertise

- Litigation & Financial Investigation
- Corporate Restructuring & Recovery

Industry Expertise

- Healthcare
- Energy
- Retail
- Manufacturing
- Real Estate
- Technology

Education & Certifications

- BA, Economics, University of Maryland
- MBA, University of Maryland
- Juris Doctor, University of Maryland
- Certified Public Accountant (CPA)
- Certified Insolvency & Restructuring Advisor (CIRA)
- Certified in Financial Forensics (CFF)

Professional Memberships

- American Bankruptcy Institute
- American Institute of Certified Public Accountants
- Association of Insolvency & Restructuring Advisors
- Maryland Association of Certified Public Accountants

Professional Experience

Charles Goldstein is responsible for leading the company's Litigation, Restructuring, and Investigative practice as well as the Corporate Restructuring and Recovery service line. He has more than 20 years experience providing financial consulting services and expert testimony in a variety of areas including corporate restructuring, transaction services, bankruptcy consulting, financial investigations, and complex commercial litigation.

Principal Areas of Practice

- Provides restructuring, turnaround and crisis management services. He also provides financial advisory and investigative services to debtors, financial sponsors, secured and unsecured creditors, trustees, and other interested parties.
- Performs business valuations for use in commercial litigation and bankruptcy matters.
- Directs due diligence and consulting services for both buy and sell side engagements as well as loan collateral analysis for lenders.
- Directs financial forensic investigations where he provides investigative services, damage calculations and expert witness testimony in fraud, bankruptcy, and litigation matters.

Major Litigation Projects

- Served as financial expert for the Plaintiff in Stanley Goldberg, et al v. The State of Maryland regarding damages related to legislation impacting the value of land subject to ground rents.
- Serving as the financial advisor to the Unsecured Creditors' Committee and Trustee in Financial Mortgage Inc./Vijay K. Taneja a mortgage company/real estate developer. Conducting an extensive investigation into the activities of the debtors including the tracing of over \$100 million of cash disbursements and providing expert testimony regarding lien positions.
- Provided an expert report to the Federal Trade Commission with regard to the activities of AmeriDebt, a national debt counseling service. Charges brought by the FTC included misrepresentation and fraudulently transferring funds from a not-for-profit entity to a for-profit enterprise. Protiviti determined that over \$170 million had been paid by consumers in initial and monthly "contributions" and that the owners of AmeriDebt benefited to an amount in excess of \$50 million.
- Assisted the Trustee of the St. Vincent's Catholic Medical Center Litigation Trust in litigation against various parties for causes of action including allegations of: failure to properly and reasonably restructure and/or provide for a timely Chapter 11 bankruptcy filing; engaging in improper negotiations and sale during the active engagement; engaging in improper billing practices during the engagement; and improper accounting and/or reporting of financial conditions.
- Served as financial expert for the Plaintiff in Alliance Telecommunications Industry Solutions, Inc. vs. Edward A. Hall et al regarding damage calculation.
- Assisted international insurance company in its review of a criticized commercial loan portfolio.
- Served as financial expert to the defendant in Liberty Mutual et al vs. Citibank regarding internal controls.

Charles R. Goldstein
Managing Director

Litigation, Restructuring & Investigative Services

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Testimony

- Hearing Testimony in re: Curtis Dixon Colgate, et al v The Disthene Group, Inc. (Case No. CL11-117) Circuit Court of Buckingham County, Virginia. Subject matter: approval of sale of Cavalier Hotel and settlement agreement (proffered) (testimony given in 2013).
- Deposition Testimony in re: K Capital Corporation v FDIC (Case No. 1:11-cv-01604-ELH) U.S. District Court, District of Maryland. Subject matter: action for recovery against K Bank receivership (testimony given in 2012).
- Deposition Testimony in re: Rothschild Capital Partners (Case No.) Circuit Court of Baltimore City, Maryland. Subject matter: damage analysis (testimony given in 2012).
- Hearing Testimony in re: The Disthene Group, Inc. (Case No. CL11-117) Circuit Court of Buckingham County, Virginia. Subject matter: appointment of receiver (testimony given in 2012).
- Hearing Testimony in re: Vijay K. Taneja, et al., (Bankruptcy Case No. 08-13293) U.S. Bankruptcy Court, Eastern District of Virginia. Subject matter: plan of reorganization testimony including substantive consolidation and support for elements of §1129 (testimony given in 2011).
- Deposition Testimony in re: Harvest Bank of Maryland v. Countrywide Home Loans, Inc. (Case No. 8:09-cv-00176-RWT) U.S. District Court, District of Maryland Southern Division. Subject matter: Damages related to the purchase of a residential real estate portfolio (testimony given in 2011).
- Deposition Testimony in re: Stanley Goldberg, et al. v. The State of Maryland (Case No. 02-C-07-126810 RP). Circuit Court for Anne Arundel County, Maryland. Subject matter: Damages related to ownership of land subject to ground rents (testimony given in 2010).
- Hearing Testimony in re: Universal Marketing, Inc. (Bankruptcy Case No. 09-14504). Eastern District of Pennsylvania Bankruptcy Court. Subject matter: Substantive consolidation of non-debtor entities (testimony given in 2010).
- Hearing Testimony in re: National Energy & Gas Transmission, Inc., et al. (Bankruptcy Case No. 03-30459-PM). U.S. Bankruptcy Court, District of Maryland. Subject matter: Settlement with largest unsecured creditor (testimony given in 2010).
- Deposition & Hearing Testimony in re: Black Crow Media Group L.L.C., et al. (Bankruptcy Case No. 10-00172) U.S. Bankruptcy, Middle District of Florida. Subject matter: motion to dismiss, motion to approve cash collateral, motion to approve debtor-in-possession financing (testimony given in 2010).
- Hearing Testimony in re: ADFITECH, Inc. (Bankruptcy Case No. 09-17788) U.S. Bankruptcy Court, District of Maryland. Subject matter: plan confirmation (testimony given in 2010).
- Hearing Testimony in re: Patterson Park Community Development Corporation (Bankruptcy Case No. 09-12545) U.S. Bankruptcy Court, District of Maryland. Subject matter: plan confirmation (testimony given in 2009).

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Testimony (continued)

- Hearing & Deposition Testimony in re: Thornburg Mortgage, Inc. et al (Bankruptcy Case No. 09-17787). U.S. Bankruptcy Court, District of Maryland. Subject matter: motion to appoint a trustee (testimony given in 2009).
- Deposition Testimony in re: Financial Mortgage, Inc. / Vijay K. Taneja, et al. (Bankruptcy Case No. 08-13292). U.S. Bankruptcy Court, Eastern District of Virginia. Subject matter: lien positions (testimony given in 2009).
- Hearing Testimony in re: National Energy & Gas Transmission, Inc., et al. (Bankruptcy Case No. 05-32141). U.S. Bankruptcy Court, Western District of North Carolina. Subject matter: claims set-off issues (testimony given in 2008).
- Hearing Testimony in re: National Energy & Gas Transmission, Inc., et al. (Bankruptcy Case No. 03-30459-PM). U.S. Bankruptcy Court, District of Maryland. Subject matter: valuation of claim. (testimony given in 2008).
- Deposition Testimony in re: National Energy & Gas Transmission, Inc., et al. (Bankruptcy Case No. 03-30459-PM). U.S. Bankruptcy Court, District of Maryland. Subject matter: Contested issues re: Southaven Claims / Case distribution (testimony given in 2007).
- Hearing Testimony in re: National Energy & Gas Transmission, Inc., et al. (Bankruptcy Case No. 03-30459-PM). U.S. Bankruptcy Court, District of Maryland. Subject matter: Appropriateness of claims settlement (testimony given in 2007).
- Expert Testimony in re: Alliance for Telecommunications Industry Solutions, Inc. vs. Edward A. Hall et al (Civil Case No. 05-cv-0044-0). U.S. District Court, District of Maryland. Subject matter: Damage calculation (testimony given in 2006).
- Hearing Testimony in re: Porter-Hayden Company (Bankruptcy Case No. 02-54152). U.S. Bankruptcy Court, District of Maryland. Subject matter: Confirmation of the Plan of Reorganization for the Debtors (testimony given in 2006).
- Report submitted in re: Federal Trade Commission vs. AmeriDebt, A. Pukke, et al. (Case No. PJM-03-3317). U.S. District Court, District of Maryland. Subject matter: Litigation and consultant to Federal Trade Commission (report submitted in 2005).
- Trial and Deposition Testimony in re: Official Employment-Related Issues Committee of Enron vs. John J. Lavorato, et al (Bankruptcy Case No 03-3721) and Official Employment-Related Issues Committee of Enron vs. John D. Arnold, et al (Bankruptcy Case No. 03-3522). U.S. Bankruptcy Court, Southern District of Texas, Houston Division. Subject matter: Fraudulent transfers and Retention payments (testimony given in 2005).
- Hearing Testimony in re: PhymERICA Physician Group (Bankruptcy Case No. 02-6-7737). U.S. Bankruptcy Court, District of Maryland. Subject matter: Fraudulent transfers (testimony given in 2005)
- Hearing Testimony in re: National Energy & Gas Transmission, Inc., et al. (Bankruptcy Case No. 03-30459-PM). U.S. Bankruptcy Court, District of Maryland. Subject matter: Plan of Liquidation for ET Debtors and the Quantum Debtors (testimony given in 2005).

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Papers, Publications and Presentations

- "Considerations for Existing and Potential Directors and Officers of Financially Distressed Companies," February 27, 2012, Boardmember.com.
- Board Risk Oversight," November 8, 2011, speaker at the 2011 NACD Directorship Forum
- "Board Leadership During a Crisis Situation," April 8, 2011, presentation to The Directors' Institute at The University of Maryland.
- "Use of Financial Advisors in Chapter 11 Bankruptcy Proceedings," April 2010, April 2009, April 2008, October 2005, April 2004, November 2003, April 2003 and November 2002, Robert H. Smith School of Business, University of Maryland.
- "Corporate Restructuring: Pitfalls and Opportunities," October 2009 edition of The Metropolitan Corporate Counsel.
- "Considerations for General Counsel in an Era of Troubled Companies: Tripwires and Ethical Concerns," February 3, 2009, presentation to Association of Corporate Counsel, Chicago Chapter.
- "Challenges of Growing your Practice," June 4, 2008, presentation to the Association of Insolvency and Restructuring Advisors' 24th Annual Bankruptcy and Restructuring Conference.
- "Liquidation and Litigating Trust," May 2, 2008, presentation to the Maryland Bankruptcy Bar Association.
- "Use of Financial Advisors in Chapter 11 Bankruptcy Proceedings," April 2009 and April 2008, presentation at the University of Baltimore.
- "Maximizing Returns: When to Buy and Sell Distressed Debt," September 17, 2007, presentation to the Global Distressed Debt Investor Forum, New York, NY.
- "Financial Statements – Misstatements and Creditor Committee Reporting," June 8, 2007, presentation to the Association of Insolvency and Restructuring Advisors' 23rd Annual Bankruptcy and Restructuring Conference.
- "Fiduciary Duties of the Turn-Around Professional in the Zone of Insolvency," June 10, 2006, presentation to the Association of Insolvency and Restructuring Advisors' 22nd Annual Bankruptcy and Restructuring Conference.

EXHIBIT B

EXHIBIT B

Count	Document Description
1	Disclosure Statement for Plan of Rehabilitation for Financial Guaranty Insurance Company, dated September 27, 2012
2	Proposed Plan of Rehabilitation for Financial Guaranty Insurance Company, dated September 27, 2012
3	First Amended Plan of Rehabilitation for Financial Guaranty Insurance Company, dated September 27, 2012
4	Affidavit of Michael Miller in Further Support of Approval of First Amended Plan of Rehabilitation dated December 12, 2012
5	Affidavit of Gary Holtzer, dated May 29, 2013
6	Affirmation of Paul V. Shalhoub, date July 16, 2013
7	Duff & Phelps Report dated May 15, 2013
8	Affidavit of John S. Dubel, dated December 12, 2013
9	Financial Guaranty Insurance Company Quarterly Statement dated March 31, 2013
10	Deposition Transcript of David Williams, July 12, 2013
11	Deposition Transcript of Lewis Kruger, July 11, 2013
12	Deposition Transcript of Mary Sohiberg, July 16, 2013
13	Deposition Transcript of John S. Dubel, July 10, 2013
14	Declaration of Ron D'Vari, dated June 7, 2013
15	Deposition Transcript of Robert Major, July 17, 2013
16	Settlement Agreement between the Debtors, FGIC and Trustees dated May 23, 2013
17	Quarterly Statement of the FGIC (in Rehabilitation) as of March 31, 2013
18	Financial Guaranty Insurance Company v. Countrywide Home Loans, Inc., Supreme Court of New York, Index No. 650736/2009, Initial Complaint dated December 11, 2009
19	Financial Guaranty Insurance Company v. Countrywide Home Loans, Inc., Supreme Court of New York, Index No. 650736/2009, Amended Complaint dated April 30, 2010
20	Bank of America Corporation, Form 8-K, May 6, 2013
21	Assured Guaranty Ltd. Announces Settlement with Bank of America, Assured Guaranty News, April 15, 2011
22	Syncora Guarantee Settles its Countrywide Litigation, July 17, 2012, Press Release
23	FGIC v. Ally Financial, Inc., Southern District of New York 12-CV-1601 dated March 5, 2012
24	FGIC v. Ally Financial, Inc. Southern District Court of New York 12-CV-1818 dated March 14, 2012
25	Disclosure Statement for the Joint CH. 11 Plan Proposed by Residential Capital, LLC, Bankruptcy Court of the Southern District of New York, Case No. 12-12020 (MG), dated July 4, 2013
26	Financial Guaranty Insurance Company v. Credit Suisse Securities LLC and DLJ Mortgage Capital, Supreme Court of New York, Index No. 651178/2013

Sidman Declaration Exhibit # 5

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

In re:
RESIDENTIAL CAPITAL, LLC, *et al.*,
Debtors.

Case No. 12-12020 (MG)
Chapter 11
Jointly Administered

EXPERT REPORT OF ALLEN M. PFEIFFER

July 19, 2013

By: 
Allen M. Pfeiffer

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LIST OF ATTACHMENTS

ATTACHMENT I: CURRICULUM VITAE OF ALLEN M. PFEIFFER

ATTACHMENT II: DOCUMENTS AND SOURCES CONSIDERED

**ATTACHMENT III: FGIC COMMUTATION PROPOSAL DISCUSSION MATERIALS:
DATED MAY 15, 2013**

I. EXPERT WITNESS DISCLOSURE AND STATEMENT OF BACKGROUND AND QUALIFICATIONS

1. I, Allen M. Pfeiffer, have been asked by the **FGIC Trustees**¹ to serve as an expert witness in connection with the FGIC Trustees' **Joinder**² to *Debtors' Motion Pursuant to Fed. R. Bankr. P. 9019 for Approval of the Settlement Agreement Among the Debtors, FGIC, the FGIC Trustees and Certain Institutional Investors* (the "**FGIC Motion**") [Docket No. 3929].
2. I am a Managing Director in the New York, NY and the Morristown, NJ offices of Duff & Phelps, LLC ("**D&P**"). I am the Global Service Leader of Dispute Consulting-Complex Valuation and Bankruptcy Litigation. D&P is a leading financial advisory and investment banking firm offering an array of services in the areas of valuation, investment banking and transaction advice, and dispute consulting.
3. I have more than seventeen years of valuation, solvency, damages cash flow assessment and capital structure analysis experience and have led hundreds of engagements related to the valuation of an entire business, a security, an interest in a business, or an asset. During my professional career, the New York Supreme Court, the United States Bankruptcy Court, the American Arbitration Association, and arbitrators operating under the rules of the International Chamber of Commerce have accepted me as a valuation and cash flow expert. In addition to my testifying experience, I have worked as a lead consultant to attorneys and corporations in the context of solvency and many other valuation and corporate finance matters. I also led the team of financial advisors to Anton Valukus, who served as the Examiner in the Lehman Brothers bankruptcy case.

¹ The FGIC Trustees are The Bank of New York Mellon, The Bank of New York Mellon Trust Company, N.A., U.S. Bank National Association and Wells Fargo Bank, N.A., each solely in their respective capacities as trustees or indenture trustees for the FGIC Insured Trusts.

² *Joinder of FGIC Trustees to the Debtors' Motion Pursuant to Fed. R. Bankr. P. 9019 for Approval of the Settlement Agreement Among the Debtors, FGIC, The FGIC Trustees and Certain Institutional Investors* [Docket No. 3982]

4. My Residential Mortgage-Backed Securities (“**RMBS**”) experience includes serving as a consultant on the valuation and cash flows as part of a solvency matter related to a multi-billion-dollar, leading financial services company. I have been retained to advise on the valuation of RMBS securities as part of the reorganization of an international, multi-billion-dollar financial services entity, and I have served as a debtor advisor in litigation related to the reorganization of a leading residential lender, and lead advisor on the solvency of a large, residential real estate subsidiary. In addition, I have been a consultant to a bank trustee in a multi-billion-dollar repurchase claim matter related to a bank merger, and, in another matter, advised the trustees in a multi-billion-dollar repurchase claim matter associated with a bankruptcy.
5. While all the conclusions set forth in this Report derive from work performed by me, or performed under my direction, my conclusions relied, in part, on the input of two my colleagues at D&P, John W. Schrader, a Managing Director in the New York Office of D&P and Brendan Murphy, a Director in the New York Office of D&P.
6. Mr. Schrader possesses over 21 years of Financial Advisory and Investment Banking experience centered on Collateralized Debt Obligations (“CDOs”) and various structured products, including RMBS. Mr. Schrader also served as the global head of Mortgage Market Risk and Securitized Products for a leading investment bank. Mr. Schrader has estimated a range of reasonable mortgage repurchase liabilities in association with bankruptcies, has valued and assessed modeling and loan surveillance platforms for numerous domestic and internal whole-loan investments pertaining to performing, re-performing, and non performing mortgages, and has assisted various hedge funds and private equity firms in assessing value and measuring risk associated with structured

products (specifically, CDOs, RMBS, Commercial Mortgage-Backed Securities, and Asset-Backed Securities, among others).

7. Mr. Murphy is a Director in the Global Restructuring Advisory group at D&P with over twelve years of experience in bankruptcy and restructuring. His experience includes corporation and asset appraisal — including debt restructuring, liquidation analysis, extensive valuation, and capital refinancing. His Chapter 11 experience includes Plan development and creditor negotiations, business plan / capital structure assessment, distressed M&A (via §363 sales), capital raising (DIP / Exit financing), and operational turnarounds (cash flow / liquidity management). He has executed over 37 distressed transactions throughout all phases of financial restructurings and represented clients within all levels of the capital structure, both in- and out-of-court.
8. My resume and testimony experience, for at least the past four years, and publications, for at least the last ten years, are attached to this report as **Attachment I**.

II. SCOPE OF WORK

9. My assignment is to assess the reasonableness, from a financial perspective and from the perspective of the **FGIC Insured Trusts**,³ of the **Settlement Agreement**,⁴ which provides for, among other things, a lump sum payment by FGIC to the FGIC Insured Trusts (the “**Commutation Payment**”) in satisfaction of any obligations of FGIC to

³ The “FGIC Insured Trusts” are the 47 RMBS Trusts listed on Exhibit B to the Settlement Agreement, certain tranches of which are insured by FGIC.

⁴ Capitalized terms not defined in this Report shall have the meanings ascribed to them in the FGIC Motion or the Settlement Agreement, as applicable.

make payments in the future (the “**Projected Payments**”) to the FGIC Insured Trusts under FGIC’ **Rehabilitation Plan** (as that term is defined below) (the “**Commutation**”⁵).

10. In performing the analyses, I, and/or others at D&P working under my direction, have reviewed, among other information, the following:

- The Settlement Agreement;
- The Plan Support Agreement;
- The Rehabilitation Plan (including the exhibits and attachments thereto);
- The Disclosure Statement for the Rehabilitation Plan, filed on September 27, 2012 (the “**FGIC Disclosure Statement**”);
- Affidavit of Michael W. Miller⁶ submitted on December 12, 2012, in Further Support of Approval of First Amended Plan of Rehabilitation (the “**Miller Affidavit**”);
- The governing agreements for the FGIC Insured Trusts (the “**Governing Agreements**”);
- Ibbotson Cost of Capital Yearbook 2012 and 2013 (“**Ibbotson**”);
- ResCap’s Vision Database⁷;
- Intex⁸;
- Bloomberg⁹;

⁵ I understand that FGIC has stated that the Settlement Agreement does not effect a “commutation” of any insurance policies, a point on which I have no opinion. Any payment does not constitute a Commutation Payment. This Report only uses the terms Commutation and Commutation Payment for convenience, as these terms were commonly used during negotiation discussions.

⁶ Mr. Miller is the Director of the Financial Institutions Group at Lazard Freres & Co. LLC (“**Lazard**”).

⁷ The Vision database is ResCap’s (now Ocwen’s) investor services website and can be found at investor.gmacrfc.com/vision/.

⁸ Intex is a subscription based 3rd party application that models the deal structure and rules that govern cash flow distribution as defined in the governing documents. It also maintains monthly updated collateral files for each deal, that may be at the loan level or based on summarized or aggregate data, depending on whether or not the Servicer of a deal furnishes then with servicing files.

- Interview with Tim Travers (FGIC's Chief Restructuring Officer);
- Interview with certain Lazard personnel;
- Additional publicly-available documents related to the FGIC Rehabilitation (fully listed in **Attachment II**).

11. **Attachment II** lists all of the documents that were reviewed and / or considered in forming the basis for my conclusions. I reserve the right to update **Attachment II** as additional documentation is reviewed and / or considered.

III. SUMMARY OF CONCLUSIONS

12. Conclusion 1: Under the Settlement Agreement, the FGIC Insured Trusts forgo uncertain Projected Payments and receive the lump sum Commutation Payment upon execution of the Settlement Agreement. The Commutation Payment mitigates downside risk to Investors by securing a known payment to Investors following approval of the Settlement Agreement by the Bankruptcy Court and the Rehabilitation Court (and assuming that all conditions precedent to the Effective Date are satisfied or waived). Following an independent analysis performed by me, and those working under my direction, it is my conclusion that the Commutation Payment amount of approximately \$253.3 million falls within a reasonable range, given the expected cash flows associated with the Projected Payments.

13. Conclusion 2: From a financial perspective, it is my conclusion that it was reasonable for the FGIC Trustees to agree to the Settlement Agreement and thereby accept the Commutation Payment over the Projected Payments. While I do not conclude that

⁹ Bloomberg is an industry-standard source for financial data, including data on the FGIC Insured Trusts.

acceptance of the Commutation Payment inevitably will be a superior result for all Investors; given the overall risks, benefits, and uncertainties involving both the Commutation Payment and the Projected Payments, and, given that the Settlement Agreement is an integral part of the Plan Support Agreement that may result in the confirmation of a Plan that produces additional value for Investors in the FGIC Insured Trusts, it is my opinion that a decision by the FGIC Trustees to enter into the Settlement Agreement, and thus accept the Commutation Payment in lieu of the Projected Payments, was reasonable.

IV. D&P'S ROLE AS FINANCIAL ADVISOR

14. The conclusions presented in this Report result, in part, from work done by D&P in its role as Financial Advisor to the FGIC Trustees. In late March 2013, as part of the mediation (the "**Mediation**") overseen by the Court-appointed Mediator, Judge James M. Peck, the FGIC Trustees received a proposal for the commutation of insurance policies issued by FGIC to the FGIC Insured Trusts (the "**Proposal**"). D&P was asked by the FGIC Trustees to advise them regarding D&P's assessment of the reasonableness, risks, and benefits of accepting the Proposal. Based, in part, on confidential information communicated by FGIC's Chief Restructuring Officer and Lazard, Financial Advisors to Weil, Gotshal & Manges, LLP, counsel to the New York Liquidation Bureau ("**NYLB**"), D&P performed an independent financial analysis to determine a reasonable range of the value of Projected Payments to the FGIC Insured Trusts based on the Rehabilitation Plan. D&P presented the analysis on an ongoing basis to the FGIC Trustees during the Mediation and provided guidance that, from a financial perspective, the Commutation Payment falls within a range of reasonableness relative to the Projected Payments under

Rehabilitation Plan. **Attachment III** contains the presentation given to the Trustees on May 15, 2013. The presentation gives background information about the Rehabilitation Plan, financial considerations covering the Proposal and the Rehabilitation Plan, and reviews FGIC's own calculations leading to a payment amount of \$253.3 million. It also presents D&P's independent analysis of the Projected Payments and the Commutation. It is important to note that the guidance provided by D&P was based on information received from FGIC and Lazard; however, the conclusions reached by D&P resulted from its own independent analysis of that information and publicly available information.

V. SUMMARY OF THE REHABILITATION PLAN

(i) Background

15. In January 2008, FGIC voluntarily ceased writing policies for new or additional risks, stopped paying dividends or other distributions to its shareholders, and reduced its operating expenditures. Despite these measures, FGIC's quarterly statement for the period ending September 30, 2009 reflected a deficit in Policyholders'¹⁰ surplus of approximately \$866 million, and an impairment of its required minimum surplus to Policyholders of approximately \$932 million.¹¹ As a result, on November 24, 2009, the New York State Department of Financial Services ("NYSDFS") issued a 1310 Order, requiring FGIC to suspend payment of all Claims and prohibited FGIC from writing new Policies.

¹⁰ All capitalized terms first used in this section of the Report have the meaning given in the Rehabilitation Plan or the FGIC Disclosure Statement, as applicable.

¹¹ FGIC Disclosure Statement, p 10.

16. On June 28, 2012, the Superintendent of Financial Services of the State of New York was appointed rehabilitator (the “**Rehabilitator**”) of FGIC by the Supreme Court of the State of New York to oversee FGIC’s rehabilitation proceeding (the “**Rehabilitation Proceeding**”). On September 27, 2012, the Rehabilitator filed a proposed Plan of Rehabilitation and a disclosure statement for FGIC, both dated September 27, 2012, in the Rehabilitation Proceeding. Subsequently, the proposed Plan of Rehabilitation was amended on December 12, 2012, April 12, 2013, and June 4, 2013 (as amended, the “**Rehabilitation Plan**”).

(ii) Goal of the Rehabilitation Plan

17. The stated goal of the Rehabilitation Plan is to treat FGIC’s Policyholders in a fair and equitable manner in order to remove the causes and conditions that made the Rehabilitation Proceeding necessary.¹² The Rehabilitation Plan provides for all of the value of FGIC, other than administrative expenses and certain other costs, to go to FGIC’s Policyholders until the Policyholders are paid in full. No claimants junior to the Policyholders will receive any payment until the Policyholders are paid in full in accordance with the terms of the Rehabilitation Plan.

(iii) Distribution Methodology Under the Rehabilitation Plan

18. FGIC’s outstanding Policies have scheduled remaining terms that do not expire for as long as another 40 years.¹³ Consequently, FGIC expects to receive Policy Claims over an extended period, defined in the Rehabilitation Plan as the “**Run-Off Period.**” Conversely, certain Policyholders either have Policy Claims that are accrued and unpaid since the

¹² Memorandum of Law in Support of Approval of Plan of Rehabilitation for FGIC (Oct. 25, 2012), p. 1.

¹³ Miller Affidavit at Exhibit II, p 6.

entry of the 1310 Order on November 24, 2009 (“**Accrued and Unpaid Claims**”) or have Policy Claims that are likely to materialize within the first five years post-emergence.¹⁴

19. The Rehabilitation Plan includes certain policy modifications to provide FGIC the ability to pay a certain Cash Payment Percentage (the “**CPP**”) of each Permitted Policy Claim, in cash, with the remainder of the Permitted Policy Claim treated as a Deferred Payment Obligation (the “**DPO**”). The DPO accrues interest at a rate of three percent per annum (the “**DPO Accretion**”) on a simple (non-compounding) basis.
20. Additionally, the Rehabilitation Plan provides for an initial, partial cash payment, based on the initial CPP, of then-Permitted Policy Claims, no later than 150 days after the effective date of the Rehabilitation Plan. The Rehabilitator estimates that the total distributable value will provide all Policyholders with the same CPP of their Permitted Policy Claim on a nominal basis (*i.e.*, excluding the time value of money).
21. The Rehabilitation Plan also provides for an annual, or possibly more frequent, adjustment of the CPP, based on an assessment of FGIC’s financial condition. The Restructured Policy Terms attached to the Rehabilitation Plan provides that each CPP Revaluation will include certain updates, revisions, corrections, or other modifications that are necessary to correct any errors, reflect events that have occurred, or are reasonably likely to occur, and ensure that the CPP is set at a level consistent with the Run-Off Principles. These modifications are then used to determine the amount (if any) of Excess Cash available to recalculate the CPP and determine the amount of DPO Accretion that may be paid.

¹⁴ Miller Affidavit at p 10.

22. Upon a CPP Upward Adjustment, the DPO Accretion Payable Amount will be distributed, pro rata, based on the outstanding DPO Accretion for each Policy. With respect to the DPO, the Rehabilitator makes no assurances as to if, when, or in what amounts, FGIC may ultimately make cash payments with respect to any DPO. Additionally, the Rehabilitator expects that the DPO Accretion Payment Amounts will be a fraction of the outstanding DPO Accretion. However, the Rehabilitator makes no assurances as to if, when, or in what amounts, FGIC may ultimately make cash payments with respect to any DPO Accretion.¹⁵
23. The distribution method outlined in the Restructured Policy Terms provides certain reserve mechanisms to prevent potential overpayments on Policy Claims that have already materialized. To the extent that overpayments on a particular Policy Claim are unable to be offset against projected losses, certain Policyholders with unrealized, projected claims may be disenfranchised in the event that the actual distributable value of the estate is unable to be equally distributed to all Policyholders via the CPP.

(iv) Estimated Recoveries to Policyholders

24. The Miller Affidavit includes the updated projections for the Run-Off Period (the “**Updated Run-Off Projections**”) under both the Base and Stress Scenarios (as defined in the Rehabilitation Plan). The Updated Run-Off Projections estimate the initial CPP will be 17.25 percent. Subsequently, pursuant to the Plan Approval Order dated June 11, 2013, an initial CPP of 17.25 percent was approved. The initial CPP is subject to adjustment by the Rehabilitator in his sole discretion on or before the Effective Date.¹⁶

¹⁵ Rehabilitation Plan at Exhibit B, B-2.

¹⁶ FGIC Plan Approval Order dated June 11, 2013 at p. 6.

25. The Updated Run-Off Projections offers different projections of the CPP under the Stress Scenario and under the Base Scenario. Under the Stress Scenario, the CPP is held constant at 17.25 percent, until a final distribution of all available assets to holders of policy claims permitted under the Rehabilitation Plan. Assuming a discount rate range of 10 to 20 percent, the present value of recoveries to such Policyholders under the Stress Scenario is 17 to 18 percent, and a lower percentage of the notional (non-discounted) all Permitted Policy Claims.
26. Under the Base Scenario, in which the losses are lower than those projected under the Stress Scenario, the CPP is estimated to increase every year until 2043.¹⁷ Each Policyholder is projected to receive a nominal recovery of 38.6 percent of their Permitted Policy Claims by 2052 based on the final CPP estimate included in the Updated Run-Off Projections. The nominal recovery on an aggregate basis for all Policyholders is estimated to be 45 percent, that is, after taking into effect the recoveries on the DPO Accretion. According to Lazard, the net present value of aggregate recoveries divided by the net present value of all Permitted Policy Claims are estimated to be 27 to 30 percent under the Rehabilitation Plan using a 10 to 20 percent discount rate range.¹⁸ D&P calculated this range for the FGIC Insured Trusts to be 18 to 23 percent on a notional basis and 22 to 28 percent on a discounted basis (See Table 1).

¹⁷ Miller Affidavit, p. 20.

¹⁸ Miller Affidavit, p. 8.

VI. SUMMARY OF THE COMMUTATION PAYMENT CONTAINED IN THE SETTLEMENT AGREEMENT

(i) Background on FGIC's Proofs of Claims

27. On November 16, 2012, FGIC filed proofs of claims in the Chapter 11 Bankruptcy against Residential Capital, LLC ("**ResCap**"), GMAC Mortgage, LLC ("**GMACM**") and Residential Funding Company, LLC ("**RFC**") (collectively, the "**Debtors**") in an amount of at least \$1.85 billion at each debtor entity, in connection with the pre-petition litigation (collectively, the "**FGIC Claims**"). I understand the FGIC Claims against the multiple Debtor entities are generally similar to each other and allege that: (i) RFC and GMACM breached various representations, warranties and/or covenants in the FGIC Trusts' Governing Agreements, (ii) FGIC was fraudulently induced to issue the Policies in connection with most of the FGIC Insured Trusts, and (iii) ResCap is liable for the alleged breaches and fraud of GMACM and RFC under an alter ego liability theory. FGIC also asserted claims related to the Debtors' alleged deficient servicing of the mortgage loans in the FGIC Insured Trusts and based on the Debtors' alleged failure to provide FGIC access to certain information in accordance with the RMBS Trusts' Governing Agreements. FGIC further sought indemnification for "any and all claims, losses, liabilities, demands, damages, costs, or expenses of any nature arising out of or relating to the breach" of the Governing Agreements.¹⁹

¹⁹ Declaration of Lewis Kruger in Support of Debtors' Motion Pursuant to Fed. R. Bankr. P. 9019 For Approval of the Settlement Agreement Among the Debtors, FGIC, the FGIC Trustees, and Certain Institutional Investors [Docket No. 3929-3].

(ii) Estimate of the Commuted Claims

28. As of March 31, 2013, FGIC represented to, among others, the FGIC Trustees that it had paid approximately \$343 million in claims to the FGIC Insured Trusts under the Policies. Based on the proof of claims, FGIC represented that the estimate of accrued and unpaid and projected claims related to the FGIC Insured Trusts was approximately \$1.27 billion. Of this amount, FGIC represented that the accrued and unpaid claims since the entry of the 1310 Order through March 31, 2013 was \$789 million. Omitting the settlement, discharge, and release of the policies (*i.e.*, a status quo situation), FGIC estimated projected losses related to the FGIC Insured Trusts to be approximately \$481 million.²⁰

(iii) Commutation Payment Proposed by FGIC

29. The Settlement Agreement, among other things, provides a lump-sum Commutation Payment of \$253.3 million to be paid to the FGIC Insured Trusts in commutation of the Policies and in exchange for FGIC's ability to assert a \$596.5 million total general unsecured claim in the ResCap Chapter 11 Bankruptcy cases.²¹
30. I reviewed FGIC's explanation of the Commutation Payment and understand it as follows²²: FGIC's calculations show, based on the Updated Run-Off Projections and the Base Scenario, that the Commutation Payment incorporates an initial CPP of 17.25 percent and an overall estimated recovery of 28.5 percent (the "**Base Case Payout**"), which reflects the time-affected recovery percentage based on the midpoint discount rate of 15 percent. With respect to the accrued and unpaid claims, FGIC explains that the

²⁰ See Attachment III.

²¹ See Attachment III.

²² This section is meant to recap FGIC's calculations resulting in a \$253.3 million lump-sum cash payment amount. The conclusions set forth in this Report do not depend on or result from FGIC's calculations or methodologies.

consideration amount equals the sum of (i) the aggregate claims multiplied by the initial CPP plus (ii) the aggregate claims multiplied by the incremental spread between the Base Case Payout and the initial CPP multiplied by an assumed reduction percentage of 40 percent. With respect to the projected claims, FGIC explains that the amount of the Commutation Payment equals the aggregate claims multiplied by the Base Case Payout multiplied by an assumed discount of 40 percent.²³

VII. CALCULATION OF PROJECTED CASH FLOWS FROM THE REHABILITATION PLAN

31. In this section, I explain the inputs and assumptions used to determine a reasonable range of the value of Projected Payments to the Policyholder of FGIC Insured Trusts based on the Rehabilitation Plan.²⁴ The main components of the Policy Claims under the Rehabilitation Plan are the Accrued and Unpaid Claims and the projected Policy Claims.
32. While the aggregate projected Policy Claims against FGIC have been provided on a summary level in the Miller Affidavit, to date, neither FGIC or its advisors, nor the Rehabilitator or its advisors, have disclosed the timing of the projected Policy Claims for the FGIC Insured Trusts. Due to the lack of supporting information to the Updated Run-Off Projections, it was necessary for D&P to estimate the Policy Claims specifically

²³ I have not reviewed the analysis behind the 40 percent reduction in the payments related to the (i) spread between the Base Case Payout and initial CPP multiplied by the accrued and unpaid claims and (ii) the Base Case Payout multiplied by the projected claims. However, I generally understand this 40 percent reduction to reflect a discount for receiving the Commutation Payment upon execution of the Settlement Agreement, in consideration of the timing of claims and payments specifically relating to the FGIC Insured Trusts' Policy Claims under the Rehabilitation Plan. The analysis performed by D&P does not employ this assumed reduction as D&P incorporates the timing of claims and payments related to the Policy Claims of the FGIC Insured Trusts. See Attachment III.

²⁴ The inputs and assumptions detailed in this section were current at the time D&P made its recommendation to the FGIC Trustees. I understand that some of the inputs and assumptions have changed in later versions of the Plan. At this time, none of these changes alter the conclusions set forth in this Report.

arising from the FGIC Insured Trusts in order to understand the timing of the relevant claims and the associated recoveries.

(i) Accrued and Unpaid Claims

33. As stated above, on November 24, 2009, the NYSDFS placed FGIC into Rehabilitation, ordering FGIC to suspend paying all claims. Since entering into Rehabilitation, FGIC has continued to receive claims on its outstanding policies. These Accrued and Unpaid Claims will become payable, according to the Plan, upon FGIC's exit from Rehabilitation. The total Accrued and Unpaid Claims for the FGIC Insured Trusts on December 31, 2012 was \$753 million. This claim amount represents the total of the principal loss and interest shortfalls to the insured tranches within the FGIC Insured Trusts.²⁵ This information is reported monthly in Intex, confirmed, where available, to the applicable remittance reports, and aggregated by D&P.

(ii) Projected Claims

34. Similar to the Accrued and Unpaid Claims resulting from principal loss and interest shortfalls, the projected claims result from future estimated principal loss and interest shortfalls. The initial step in calculating the future shortfalls is estimating projected collateral performance.
35. To do this, using the balance of active loans to provide the total population of loans, I determined collateral loss projections on the FGIC Insured Trusts on a trust-by-trust basis. In order to have a more robust and statistically meaningful loss estimation, trusts were classified into cohorts by product type and vintage. Product types include Prime, Alt-A,

²⁵ See Attachment III.

Subprime, Pay Option ARM, Closed-End Seconds, and Open-End Seconds. Vintages include 2004 and prior, 2004, 2005, 2006, and 2007. Product types are subsequently broken into 12 “sub-cohorts,” facilitating additional precision.

36. Roll rate transition matrices based off of all RFC and GMACM issued Trusts are used to calculate monthly prepayment and default rates for each Trust, through the remaining life of the underlying mortgages as of December 31, 2012. These rates, known as Conditional Prepayment Rates (“**CPR**”) and Conditional Default Rates (“**CDR**”), were used, along with other estimates, as inputs into Intex.
37. D&P prepared forecasted cash flows under various scenarios to observe the sensitivities of loss forecasts associated with changes in CPR, CDR, and severity assumptions. The high collateral loss scenario applies 110 percent (of the base case) to defaults, 90 percent to prepayments, and 110 percent to severity. The low collateral loss scenario applies 90 percent (of the base case) to defaults, 110 percent to prepayments, and 90 percent to severity.
38. Severity rates reflect the percentage of loss on the remaining unpaid principal balance at the time a loan is liquidated. As an example, a borrower default where the unpaid principal balance upon liquidation is \$100,000 and there is a net recovery of \$75,000 the severity rate is 25 percent. Severity rates are used to reflect current market conditions in loss estimates. The range of projected severity was calculated at the sub-cohort level following the review of third-party research and observed experience for each Trust. D&P calculated severity rates at the sub-cohort level.
39. D&P then applied the assumptions resulting from the above described methodology on a trust-by-trust basis according to each trusts’ payment structures as defined by its

Governing Documents, the result of which is the projected shortfalls at a tranche level on a monthly basis and thus the Trusts' claim.

40. D&P estimated that the Policy Claims for the FGIC Insured Trusts will be approximately \$409 million in the low case to \$793 million in the high case, in each case on a nominal basis.
41. Accordingly, D&P estimated the total Policy Claims for FGIC Insured Trusts including both the Accrued and Unpaid and the Projected Claims to be approximately \$1,162 million in the low case to \$1,546 million in the high case, in each case on a nominal basis.²⁶

(iii) Projected Nominal Recoveries

42. The Base and Stress Scenarios included in the Miller Affidavit contain summary financials for the Updated Run-Off Period on a 5-year basis (as opposed to on an annual basis). Certain cash flow assumptions were extrapolated from the Base Scenario in order to determine the projected nominal cash flows to the Policyholders for the FGIC Insured Trusts. D&P then applied the low and high projected loss estimates for the FGIC Insured Trusts to the distribution methodology outlined in the Rehabilitation Plan.
43. The CPP was calculated on an annual basis, and the projected CPP amounts were then applied to both D&P's low and high loss projection estimates to determine the initial CPP payment, the catch-up CPP payment, and the corresponding changes in the DPO. With respect to the estimated DPO Accretion Payments, the implied Aggregate DPO Accretion Payment under the Base Scenario was distributed on a pro rata basis to the FGIC Insured Trusts based on the outstanding calculated DPO Accretion.

²⁶ See Attachment III.

VIII. UNCERTAINTY OF PROJECTED CASHFLOWS UNDER THE REHABILITATION PLAN

(i) Uncertainty of the Input Data and Sources

44. The actual recoveries to FGIC's Policyholders may differ materially from the estimated recoveries provided in the Miller Affidavit due to the ongoing changes to the complex assumptions underlying the Updated Run-Off Projections. While the Updated Run-Off Projections were revised to reflect certain changes related to premiums and commutation transactions, the underlying financial data driving the Updated Run-Off Projections are dated as of December 2011. As such, subsequent analyses derived from the projections included in the Miller Affidavit, also do not reflect the actual results for 2012 or the potential resulting impacts to the forecasted recoveries.
45. Due to a lack of independent means to verify the confidential information and data provided in the Miller Affidavit, D&P has not verified the projections, assumptions or analyses prepared by FGIC and its advisors and the NYLB and its advisors. D&P relied on the projections prepared by FGIC and its advisors, as we believe the analyses were reasonably prepared in good faith and on a basis reflecting the best current available information as to the future operating and financial performance during the Run-Off Period.

(ii) Uncertainty of the Aggregate Distributable Value

46. The aggregate distributable value available to FGIC's Policyholders may differ materially from the projected amounts included in the Updated Run-Off Projections and the Base Scenario due to differences in realized investment returns, collection of premiums, reinsurance, salvage, reimbursements and other amounts due to FGIC, availability and utilization of NOLs, and operating expenses.

47. Per the Miller Affidavit, the included gross investment income post-Effective Date is expected to be 3.25 percent. Additionally, the management fees are assumed to be 9.75 basis points of invested assets per year. However, FGIC's actual investment income or expenses may potentially materially deviate from the assumptions included in the Updated Run-Off Projections. The resulting deviations could significantly reduce recoveries for Policyholders under the Rehabilitation Plan.²⁷
48. The Rehabilitation Plan requires that Policyholders continue to make premium payments even though it is highly likely, and possibly, a near economic certainty that FGIC will not pay 100 percent of claims filed by Policyholders in cash. The Plan also prohibits the exercise of rights to setoff premiums, reimbursements, and other amounts against policy claims, not giving effect to the modification, therefore, pursuant to the Plan.²⁸ With respect to required premium payments, if Policyholders choose to setoff premiums, the estimated total collections over the Run-Off Period would be reduced. The Updated Run-Off Projections included a ten percent reduction to expected premium streams; however, to the extent that the actual unpaid installment premiums exceed these levels, the CPP may also decrease.²⁹
49. For the tax-related payments and projections, the Updated Run-Off Projections assume that FGIC will not generate taxable income post-Effective Date and the income expected to be generated on the Effective Date will be offset by existing NOL balances of \$5.3 billion.³⁰ In exchange for the ability to use the NOLs, FGIC plans to pay FGIC Corp. \$11 million. However, the preservation and usage of the NOLs and the payment to FGIC

²⁷ Miller Affidavit at Exhibit I, p. 3.

²⁸ Miller Affidavit, p. 10.

²⁹ Miller Affidavit, p. 10.

³⁰ FGIC Disclosure Statement, p. 15.

Corp. is subject to a number of unknown outcomes including receipt of a private letter ruling from the IRS.

(iii) Uncertainty of the Expected Timing and Magnitude of the Aggregate Policy Claims

50. The expected timing and magnitude of the various policy claims are uncertain and volatile, in part, because of certain long-dated policies with large projected loss amounts. The potential magnitude of these policy claims are evident when comparing the aggregate claims under the Base Scenario versus the Stress Scenario where the projected losses are approximately 85 percent higher.³¹
51. Additionally, at the time of my analysis, there were certain novation and commutation agreements still pending which could significantly increase the pool of projected losses. The Rehabilitator also requested the Court to approve the then-pending Novation Agreement between FGIC and National Public, and affiliate of MBIA Insurance Corporation, to novate the National Public Reinsured Policies from FGIC to National Public. Under the then-pending Novation Agreement, National Public would replace FGIC as the party obligated to make payments with respect to claims under National Public Reinsured Policies, which had approximately \$110.5 billion par of coverage outstanding as of November 30, 2012.³² In the absence of the novation, the CPP would need to take into account potential losses under the National Public Reinsured Policies, just as it does potential losses under other FGIC Policies. As a result, proceeding without the novation would have resulted in an immediate reduction to the initial CPP (down from 17.25percent to 15.75 percent), as well as ongoing downward pressure on future

³¹ Miller Affidavit at p. 6-7.

³² Miller Affidavit at p 6-7.

CPP revaluations.³³ As part of the Rehabilitation Plan, the Rehabilitator was also seeking court approval of certain “CDS Commutation Agreements” which provide for FGIC to terminate its obligations under certain policies it issued to counterparties to credit default swaps (“CDS”) entered into by FGIC Credit Products LLC (“FGIC CP”), a subsidiary of FGIC, and for FGIC CP to terminate its obligations under the CDS. The Updated Run-Off Projections assume that the six, then-pending, CDS Commutation Agreements that were executed will be approved by the Court and the payments will be made post-Effective Date. If the CDS Commutations pending approval were not approved, the initial CPP would have been lowered to 15.5 percent.³⁴

(iv) Present Value and Discount Rate Associated with the Nominal Cash Flows

52. As detailed above, there are significant components of the Rehabilitation Plan that may materially change the timing and amount of cash flows available to be paid to all of FGIC’s Policyholders. In addition, there are certain aspects of the Rehabilitation Plan that adversely affect the Policyholders of FGIC Insured Trusts. Specifically, a significant portion of cash distributions on account of the CPP and the DPO Accretion are significantly back-ended, even though a majority of the claims (*i.e.*, greater than 70 percent) are expected to arise in the first five years.³⁵
53. In order to determine the present value of the cash flows under the Rehabilitation Plan, I examined the structure and timing of the plan as well as the available information on the expected ability of FGIC to meet its payment obligations to determine an appropriate and reasonable rate at which to discount any future cash flows. To do this, I relied on my

³³ Miller Affidavit at p 12.

³⁴ Miller Affidavit at p 3.

³⁵ See Attachment III.

years of experience in determining discount rates, and I reviewed independent sources of discount rate calculations, namely Ibbotson. Specifically, I reviewed the Cost of Equity Capital and the Weighted Average Cost of Capital for Standard Industrial Classification (“SIC”) 635 (Surety Insurance) and SIC 63 (Insurance Carriers), because companies in these industrial classifications generally face similar financial burdens as FGIC. While my analysis did not use specific values from Ibbotson, they served to inform a range of reasonable discount rates for future cash flows under the Rehabilitation Plan. The median values for the discount rates ranged from about 9 percent to 19 percent.³⁶ Given that FGIC’s future payments may be riskier than the SIC’s average level of risk, and that under the Rehabilitation Plan FGIC would not receive the revenue from writing new policies, the values presented in Ibbotson may serve as a conservative estimate of an appropriate discount rate.

54. Based on the structure and the riskiness of payment of the Rehabilitation Plan and the cost of capital for the industry detailed above, I conclude that a discount rate for future cash flows under the Rehabilitation Plan of 10 to 20 percent is a reasonable range. Such a range takes into account that due to the riskiness of future payments there is a risk that the cash flows under the Rehabilitation Plan could total less than the Commutation Payment amount of \$253.3 million.

(v) Exclusion of Potential and Unknown Value of Pending Litigation

55. The Updated Run-Off Projections included in the Miller Affidavit exclude potential recoveries from pending RMBS litigation³⁷ proceedings due to the uncertainty of the

³⁶ Ibbotson, SIC 63 and SIC 635, March 13, 2013.

³⁷ A list of the pending RMBS litigations is included in Exhibit C of the Rehabilitation Plan.

probability, magnitude, and timing of any litigation recoveries. Additionally, FGIC has not incorporated potential proceeds from the pending RMBS litigation proceedings in its financial statements. Lazard and FGIC, who are likely to be in the best position to estimate such recoveries, deemed that, “these recoveries are not sufficiently probable and estimable.” I have no knowledge or reliable data available to estimate potential recoveries from RMBS litigation. As a result, I have not included any estimates of recoveries from pending RMBS litigation, because any such estimation would be speculative.

56. Similarly to excluding any speculative litigation recoveries, I have chosen to follow Lazard’s and FGIC’s judgment and exclude from my analysis any estimates on potential litigation losses by FGIC for the same reasons: that any such losses are impossible to reliably estimate.

IX. ADDITIONAL BENEFITS OF THE SETTLEMENT AGREEMENT OVER THE REHABILITATION PLAN

57. In addition to the \$253.3 million Commutation Payment, the FGIC Insured Trusts would no longer need to pay future policy premiums of approximately \$18.3 million, on a present value basis³⁸. Including the value of these waived policy premiums, the value of the Settlement Agreement to the FGIC Insured Trusts increases to approximately \$272 million. Along the same lines, the Settlement Agreement will allow any excess spread (and any reimbursements arising from excess spread) to be distributed to the security holders of the respective Trusts. That is, any incremental interest provided by the underlying collateral over the interest paid to the security holders of the trusts go directly

³⁸ Affirmation of Gary T. Holtzer, Case No. 401265-2012 [Docket #3929-10].

to the securities, rather than reimbursing FGIC, resulting in a potential benefit to Policyholders in addition to Commutation Payment amount of \$272 million.³⁹

X. POTENTIAL BENEFITS OF THE SETTLEMENT AGREEMENT FROM THE PLAN SUPPORT AGREEMENT

58. The approval of the Settlement Agreement is a condition to the effectiveness of the Plan Support Agreement, and it is my understanding that without the FGIC Trustees' acceptance of the Settlement Agreement, FGIC would not have entered into the Plan Support Agreement.

59. Among other things, the Plan Support Agreement provides for a substantial contribution from Ally Financial (approximately \$2.1 billion), which, together with other assets of the Debtors, will be available for distributed creditors, including the FGIC Insured Trusts. In the absence of the Plan Support Agreement (which, I understand, is dependent on the approval of the Settlement Agreement⁴⁰), additional costs related to the extended litigation and administration would likely burden the Estate, which would in turn decrease recoveries to the FGIC Insured Trusts. While not part of D&P's May 15, 2013 presentation to the FGIC Trustees, I understand that the Plan Support Agreement provides that the FGIC Insured Trusts will have allowed claims in the contemplated ResCap Plan of Liquidation. In that regard, if the ResCap Plan of Liquidation contemplated by the Plan Support Agreement is confirmed, an additional estimated \$92 million in value will be distributed to the FGIC Insured Trusts. This additional value (which would not necessarily be available absent the FGIC Trustees acceptance of the

³⁹ See Attachment III.

⁴⁰ Plan Term Sheet (Exhibit A to PSA) at page 16.

Settlement Agreement) would increase the total potential value of the Settlement Agreement to the FGIC Insured Trusts to approximately \$364 million.

(i) **Comparison of Projected Recoveries under the Rehabilitation Plan Versus the Expected Value to the FGIC Insured Trusts Under the Settlement Agreement**

60. A comparison of the recoveries under the Rehabilitation Plan versus the Settlement Agreement based on the range of D&P's claims estimates presented in Table 1. Based on the calculations described above, D&P calculated the range of recoveries under the Base Case Scenario of the Rehabilitation Plan to be \$217 to \$340 million, indicating a recovery of 19 to 22 percent on a nominal basis and 24 to 28 percent on a discounted basis for FGIC Insured Trusts. This range of recoveries implies that accepting a Commutation Payment of \$253.3 million with a value of \$272 million, including the foregone premiums is a reasonable decision, from a financial perspective, by the FGIC Trustees.

Table 1: Comparison of Recoveries to Policyholders of FGIC Insured Trusts

(\$ in millions)

		<u>D&P Claims Estimates</u>	
		<u>Low Case</u>	<u>High Case</u>
Policy Claims for FGIC Insured Trusts	<u>D&P Claims Estimates</u>		
	Accrued and Unpaid Claims (as of 12/31/12)	\$753	\$753
	Projected Claims	409	794
	Total Policy Claims for FGIC Insured Trusts	\$1,162	\$1,546
Rehabilitation Plan	Discount Rate Applied	20%	10%
	Net Present Value of Policy Claims	\$921	\$1,226
	Recovery to Policyholders – \$	\$217	\$340
	<u>Recovery to Policyholders – %</u>		
	<i>Based on Nominal Claim</i>	<i>19%</i>	<i>22%</i>
	<i>Based on Discount Claim</i>	<i>24%</i>	<i>28%</i>
Commutation Proposal	<u>Value of the Commutation</u>		
	Cash Settlement		\$253
	Plus: Waived Premiums		18
	Recovery to Policyholders – \$		\$272
	<u>Recovery to Policyholders – %</u>		
	<i>Based on Nominal Claim</i>	<i>23%</i>	<i>18%</i>
	<i>Based on Discount Claim</i>	<i>29%</i>	<i>22%</i>
	<u>Value of the Commutation Plus Additional Benefits</u>		
Plus: "Additional Benefits" per PSA		\$92	
Recovery to Policyholders		\$364	
<u>Recovery to Policyholders – %</u>			
<i>Based on Nominal Claim</i>	<i>31%</i>	<i>24%</i>	
<i>Based on Discount Claim</i>	<i>39%</i>	<i>30%</i>	

XI. CONCLUSIONS

61. As documented above, the value to Policyholders under the Rehabilitation Plan is uncertain. While in some scenarios the total net present value of the Projected Payments may be greater than the Commutation Payment, there are numerous factors that may cause the net present value of Projected Payments to be far lower than the Commutation Payment.

62. Because of these uncertainties, accepting the Settlement Agreement and the Commutation Payment — and all the benefits of certainty in amount, timing, and likelihood of payment — is a reasonable decision, from a financial standpoint, on the part of the FGIC Trustees.

XII. RESERVATION OF RIGHTS AND COMPENSATION DISCLOSURE

63. Although my study is based upon the current record, and I am in a position to render conclusions at this time based upon such information, the study is ongoing, and expert witness deposition testimony has not been completed. Accordingly, I reserve the right to revise or expand any expert conclusions to reflect any additional conclusions that I may formulate based upon newly acquired information or arising from reflection and reconsideration of the conclusions based upon views expressed by expert witnesses, if any, and upon further study and information, including, among other things, documentary and testimonial evidence introduced subsequently.

64. D&P charges rates of \$130 – \$835 per hour for my professional services and the services of supporting staff in this matter. D&P has no financial interest in the outcome of this matter.

65. This report is not to be reproduced, distributed, disclosed or used for any purposes other than the above-referenced proceedings without prior written approval.

ATTACHMENT I

*Mr. Allen M. Pfeiffer
Managing Director
Duff & Phelps, LLC*

PROFESSIONAL CREDENTIALS

Allen Pfeiffer is a Managing Director in the NY and NJ office of Duff & Phelps, and is the Global Service Leader of Dispute Consulting-Complex Valuation and Bankruptcy Litigation. Mr. Pfeiffer has more than eighteen years of valuation, solvency, cash flow assessment and capital structure analysis experience and has led hundreds of engagements related to the valuation of an entire business, a security, an interest in a business or an asset.

Professional Experience

- Mr. Pfeiffer has advised both foreign and domestic buyers, sellers, joint venture partners, hedge funds, private equity funds, plaintiffs and defendants in mergers and acquisitions/corporate finance situations with regard to business valuation, strategic planning, raising financing, spin-offs, transaction support, bankruptcy, litigation, tax, financial reporting, solvency, valuing derivatives, fairness opinions, IP holding companies, restructurings and capital structure analysis.
- The New York Supreme Court, the United States Bankruptcy Court, the American Arbitration Association and arbitrators operating under the rules of the International Chamber of Commerce have accepted Mr. Pfeiffer as a valuation and cash flow expert. In addition to his testifying experience, he has worked often as a lead consultant to attorneys in the context of retrospective solvency and many other valuation and corporate finance matters. Mr. Pfeiffer also led the team as the financial advisors to the Bankruptcy Examiner for Lehman Brothers (Anton Valukas).
- Mr. Pfeiffer was a Managing Director with Standard & Poor's Corporate Value Consulting at the time of its merger with Duff & Phelps in September 2005 and was a member of the CVC practice of PricewaterhouseCoopers LLP at the time of its sale to Standard & Poor's. Prior to joining Coopers & Lybrand in 1995, and prior to receiving his MBA finance at Columbia Business School, Mr. Pfeiffer worked for an affiliate of Alex Brown and worked as an actuarial analyst at Kwasha Lipton, a benefit consulting firm. Mr. Pfeiffer successfully completed four professional exams within his tenure as an actuary: multivariable calculus, probability theory, mathematical statistics and numerical equations.

Selected Experience – Bankruptcy Litigation:

- Financial advisor to RMBS Trustees in ResCap bankruptcy.
- Retained by Trustees in multi-billion dollar repurchase/put back claim in a major bankruptcy matter.
- Lead consultant to bank trustee related to multi-billion repurchase/ put-back claim associated with a bank merger.
- Lead financial advisor to the Bankruptcy Examiner for Lehman Brothers (Anton Valukas). Advised the attorneys relating to broad-reaching issues such as: valuation, solvency analysis, avoidance actions, dealings with secured lenders and the Barclays transaction. This led to a 2,200 page report released by the Examiner;
- Leading analysis of solvency for a fraudulent conveyance lawsuit filed against a leading company related to a former multi-billion dollar real estate subsidiary company claiming damages in excess of \$1 billion.
- Project lead in assisting the Administrator of a UK entity with an independent third-party evaluation of historical valuation methodologies for a portfolio of 5,000+ assets as well as independent historical valuations on highly illiquid assets. The work resulted in the full recovery and fair distribution to represented creditors in one of the largest bankruptcy filings in US history
- Testified as an expert witness in Philadelphia Bankruptcy Court (Oct. 2003) on behalf of secured lenders regarding the solvency of a manufacturer of technology;

Mr. Allen M. Pfeiffer
Managing Director
Page 2

*Professional
Experience
(continued)*

Selected Experience – Bankruptcy Litigation – (continued):

- Testified in deposition as an expert witness in defense of an investment bank related to alleged damages in association with advice regarding the timing of a restructuring/bankruptcy of a mobile home manufacturer;
- Testified in deposition as an expert witness on the reasonableness of a business case and budget for a large retailer in a bankruptcy/contract dispute;
- Testified in arbitration on behalf of a tractor company in a dispute regarding the value of recovered assets in bankruptcy;
- Testified in deposition as an expert witness on behalf of a large cable company (MSO) against its joint venture partner with regard to cable systems in Puerto Rico;
- Led analysis of solvency at various transaction dates for a multi-billion dollar commercial real estate finance company in bankruptcy;
- Advised the U.S. government related to the viability of a proposed reorganization plan;
- Led analysis of solvency for a fraudulent conveyance lawsuit filed against a leading global company by a former subsidiary claiming damages in excess of \$2 billion;
- Advised counsel for a multi-national bank in defense of their investment banking work performed for a multi-billion dollar planned joint venture;
- Advised counsel and several hedge funds on the valuation of the derivative features attached to convertible bonds for purposes of arriving at OID (original issues discount) in bankruptcy litigation;
- Led analysis with respect to solvency and valuation issues related to the merger and refinancing of a corporate finance advisory firm;
- Advised on the valuation of a hedge fund relative to the reasonableness of a major transaction prior to the filing for bankruptcy;
- Advised counsel with respect to solvency in large anticipated litigation against group of pre-petition lenders to an international financial services company that spiraled into bankruptcy after fraud was detected;
- Led the retrospective solvency analysis of a supermarket business at various dates for a private equity fund and assisted counsel and insurance companies in effectuating a successful mediation;
- Led the analysis of a preference case filed against a private equity firm and related to the bankruptcy filing of a large financial services company; analyzed convertible preferred stock, produced expert report and rebuttal report and assisted attorneys in deposition preparation;
- Led analysis of solvency for a large fraudulent conveyance lawsuit filed against an international consumer products company; produced expert report and rebuttal report, assisted attorneys in preparation for depositions, drafting of certain motions, development of case strategy, preparation for and participation in trial and post-trial submissions;
- Led analysis of solvency for a preference lawsuit related to a multi-billion dollar pharmaceutical distribution company; produced expert report and rebuttal report, assisted attorneys in preparation for depositions, drafting of certain motions, development of case strategy and preparation for trial;
- Advised on a retrospective solvency analysis for a large retailer in a preference action.

*Professional
Experience
(continued)*

Selected Experience – Complex Litigation:

- Retained to provide the analysis of damages sustained by a new private equity advisory firm that was spun out of one of the largest banks. The analysis focused on the compensation lost by the private equity firm due to the poor decision making by the larger bank post the spin-off transaction.
- Testified in trial with respect to the value of the founder's ownership interest in a technology company in conjunction with a matrimonial action;
- Testified as an expert witness in arbitration, International Chamber of Commerce (Sept. 2002) regarding the valuation of a minority interest in a European Internet service provider; also quantified damages;
- Testified as an expert witness in New York Supreme Court (Nov. 2002) regarding the value of the unregistered shares of a public Internet company; both sides in case unanimously accepted the testimony;
- Testified as an expert witness in arbitration (AAA) related to fair and reasonable terms and fair market value associated with a long-term agreement between a cable company and a content provider (Feb. 2004);
- Testified as an expert witness in deposition and at a hearing. Produced an expert report on diminution of enterprise value, damages and lost profits to a cruise business due to the outbreak of disease caused by a vendor;
- Testified as a fact witness in deposition and advised counsel on behalf of private equity firm and a multi-billion dollar chemical company relating to an acquisition. Assessed the pro forma financial outlook and solvency of the combined entity;
- Testified in arbitration for a hedge fund related to the capital adequacy of the fund, reasonableness of projections and economic uncertainty in 2008;
- Advised a law firm in defense of a damages claim of lost income by a private equity firm from an alleged reduction of capital commitments from investors;
- Advised counsel related to the valuation of a multi-billion dollar leasing company;
- Advised counsel related to damages associated with a failed telecommunications joint venture;
- Advised counsel related to the value of the common equity of a technology company for a Delaware shareholder action;
- Advised counsel on the appropriate financing terms for a telecommunications transaction in preparation for a potential litigation;
- Led the analysis of damages sustained by a leading communications company in connection with a malpractice claim related to a multi-billion dollar transaction;
- Led the assessment of damages for an early-stage cable television company;
- Advised counsel on the relative value of two contracts and related clauses in the cable and entertainment industry;
- Advised counsel on the appropriate care, transaction price and valuation methodologies in defense of a lead advisor investment bank in the technology and consumer product industry; produced expert report and rebuttal report and assisted attorneys in depositions;
- Advised majority shareholder group related to disputed terms of the purchase of controlling voting shares in a large Canadian company with dual-class ownership structure;
- Advised governmental agency relating to insider trading probe;
- Advised counsel relative to damages associated with a hedge fund (fund of funds);

Mr. Allen M. Pfeiffer
Managing Director
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*Professional
Experience
(continued)*

Selected Experience – Complex Litigation – (continued):

- Advised counsel in preparation of a preliminary injunction hearing regarding the financial position of a regional airline company post-termination of a contract with a national airline;
- Advised counsel with respect to theories related to damages on a high profile insurance matter;
- Led the analysis of value provided by executives in managing large company-invested hedge funds;
- Led the analysis of a multitude of derivative transactions for a litigation;
- Advised counsel with respect to solvency and litigation issues in a large planned spin-off of a subsidiary;
- Led the analysis of the value of divisions of a large consumer products company in defense of an IRS probe related to a tax-free spin-off;
- Led the analysis of a merger between two market-leading companies and provided a retrospective fairness opinion; conversion ratio Mr. Pfeiffer was challenged by a group of shareholders;
- Led the analysis of whether a material adverse change clause applied to the circumstances associated with the decline in 2000 venture capital funding levels;
- Advised a utilities company on the issuance of new securities – debt vs. equity considerations for cost of capital purposes in arbitration;
- Led analysis of a shareholder oppression lawsuit filed in New Jersey regarding the valuation of a privately held trucking company;
- Assisted attorneys in the valuation of a manufacturing company in a purchase price dispute;
- Advised plaintiff on the value of complex options and warrants for purposes of assessing damages in litigation.

Selected Experience – Corporate Finance:

Transaction Advisory:

- Advised an international private equity fund on the value of a major real estate subsidiary to be spun-off and the value of options held.
- Advised by large telecommunications company to value certain tangible and intangible assets related to an acquisition of a controlling stake in a company;
- Advising the board of a publicly traded company regarding company and broad economic trends in the mobile telecommunications industry;
- Advised an investment firm with respect to the price paid for an ownership interest in a telecommunications company, associated warrants and other deal terms;
- Advised the board of an international bank regarding the fairness of a bank merger;
- Advised on many buy-side valuation issues as part of due diligence efforts for a major telecommunications company;
- Advised the board of a public company related to the fairness of a reverse merger transaction;
- Advised government ministers in their consideration of the privatization of a telecommunications company, a bank and an airline;
- Advised and presented to the board of directors and senior management of a leading technology company on the value of its total intellectual property portfolio for the application of the Delaware Law capital surplus test;
- Advised special committee of the board and largest minority shareholder with respect to the value of intellectual property of a technology company that received a buyout offer determined to be inadequate by the special committee;

Mr. Allen M. Pfeiffer
Managing Director
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*Professional
Experience
(continued)*

Selected Experience – Corporate Finance – (continued):

- Advised a technology company in its negotiations with several international top-tier companies and several venture capital firms;
- Advised a technology company on valuation of the various levels of preferred stock prior to its successful initial public offering;
- Advised a technology company on the benefits of spin-off vs. divestiture;
- Advised on terms of transaction and negotiated on behalf of a technology company;
- Advised on valuation of subsidiary of a technology company for issuance of executive warrants;
- Advised on transactions and valuation matters related to more than ten major Israeli companies;
- Advised shareholder and founder on the value of his company for purposes of put option rights;
- Advised a large private equity fund with respect to the value of their illiquid investments for a corporate reorganization;
- Advised a large equity hedge fund with respect to the value of a partnership interest;
- Advised hedge fund executives on the discount associated with shares contributed to a GRAT;
- Advised the board of directors of a leading international company with respect to potential responses to a potential hostile takeover bid;
- Advised a private equity firm on the value of the intellectual property of a large electronics equipment manufacturer for purposes of refinancing;
- Advised a large hedge fund with respect to due diligence and the value of loan collateral;

Transaction Advisory:

- Advised on the issuance of a solvency opinion for “RemainCo” relative to two of the largest spin-offs in history;
- Assisted in the issuance of transaction opinions for several large transactions;
- Advised an international entertainment conglomerate with respect to pre-deal due diligence and valuation analysis;
- Provided independent valuation assessment of investments to board of directors of a major investment fund;
- Sell-side advisory work for a major international IT services company;
- Advised in the successful resolution of a joint venture in a buy/sell option discrepancy;
- For several companies, advised on the value of common shares for issuance of new warrants to management;
- Advised on the restructuring of five distinct businesses owned in a holding company;
- Advised on numerous fairness opinions as a member of review committees in Duff & Phelps and Standard & Poor’s Corporate Value Consulting.

Strategic Planning:

- Advised a telecommunications company relative to financial planning and funding for the launching of a CLEC business;
- Advised a private equity fund focused on technology and telecommunications with respect to the components of several transactions and assessing the value of its common stock;
- Advised on new e-commerce business opportunities and capital investments within large multi-national corporations;
- Advised a subsidiary of an international entertainment conglomerate with respect to the value of its contingent liabilities;
- Developed business case, strategy and valuations for many late stage start-ups;

Mr. Allen M. Pfeiffer
Managing Director
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*Professional
Experience
(continued)*

Selected Experience – Corporate Finance – (continued):

- Corporate Finance liaison with the PwC Israel office;
- Valuation and advisory work associated with a dramatic operational turnaround of a multi-billion dollar company on behalf of an LBO fund over three years;
- Utilized real option valuation metrics to solve complex and uncertain value propositions;
- Advised on the strategic modeling and valuation regarding the combination of major professional sports teams in a joint venture.

Selected Experience – Valuation for Tax Restructuring and Reporting:

- Valued dozens of subsidiaries worldwide in connection with the spin-off of major technology businesses for determining tax gain/loss;
- Led numerous tax restructuring engagements for a multi-billion dollar telecommunications company;
- Analyzing broker quote information in determining whether loans, after modifications, are considered publicly traded under the tax rules;
- Advised the owners of a sports team related to the allocation of purchase price to the sports arena for tax purposes;
- Valuation of the subsidiaries and assets of a chemical company as part of the consideration of the tax structure of a large contemplated transaction;
- Valuation of worldwide subsidiaries of a biotech company for the planning of intellectual property holding company restructuring;
- Determined the value of restricted stock discount and/or lack of marketability discount for dozens of companies;
- Valued several businesses for estate tax purposes.

Selected Experience – Valuation for Financial Reporting:

- Valuation of the common equity and an embedded derivative for a privately held, telecommunications software company;
- Valued the Series C Preferred Stock of an independent marketer of natural gas and electricity;
- Led dozens of engagements related to purchase price allocations and intangible asset impairments - SFAS 141/SFAS 142, SFAS 121, SFAS 133 and APB 16;
- Participated on PwC task force committee to communicate with the SEC on the valuation of In-Process Research and Development;
- Drafted numerous SEC response letters for several major companies on valuation issues, in all cases avoiding financial restatements;
- Numerous engagements related to valuation of options in connection with SFAS 123 and as components of purchase price;
- Assessed discounts for blockage, minority holdings, lack of marketability and restricted stock.

Mr. Allen M. Pfeiffer
Managing Director
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**Professional
Experience**
(continued)

Presentations and Articles:

- Strategic Advisory Board member ABI VALCON 2012-2014
- Panelist ABI VALCON February 2012 “Amend and Pretend: The Role of Accounting Rules, Bank Regulatory concerns and Market Values”.
- Visiting Lecturer at Sy Syms Executive MBA program “Fundamentals of Valuation and Common Pitfalls”
- Lectured at several conferences in 2011 “Lessons Learned from Lehman Brothers Failure”
- Visiting Lecturer at Yeshiva University - “Security Analysis and Valuation”, March 2009;
- Presented as part of a 2008 TMA panel in a conference entitled “Valuation: A Minefield for the Expert and Counsel”
- Authored 2006 Financier Worldwide article titled “Inadequate capital: examining the tests for fraudulent conveyance”
- Led development and presented many Continuing Learning Education courses for attorneys regarding legal and financial analysis issues related to fairness opinions, valuation, expert witnesses and fraudulent conveyance;
- Led PwC’s and S&P’s internal training programs in corporate finance and valuation each year from 1997 through 2002;
- For S&P in 2004-2005, designed curriculum for national training and analysis of complex client issues along with New York University professor Dr. Aswath Damodaran;
- Presented various topics at industry, accounting and valuation seminars and conferences; participant in ALI-ABA conferences, ABI conferences and other industry conferences;

Trial and Arbitration Testimony:

- *Aris Multi-Strategy Fund, L.P. v. Quantek Opportunity Fund, L.P., et al*
American Arbitration Association, New York
Case No. 13 181 02839 03
April 2011
 - Testified in arbitration for a hedge fund related to the capital adequacy of the fund, reasonableness of projections and economic uncertainty in 2008.
- *Lee v. Chou*
Supreme Court of the State of New York, County of New York
Index No. 350601/03
October 2006
 - Testimony in a matrimonial action on behalf of the Defendant with respect to the value of Plaintiff’s ownership interest in a business that he founded.
- *Suraleb, Inc. v. Production Association “Minsk Tractor Works”, Republic of Belarus.*
Arbitration Institute of the Stockholm Chamber of Commerce
December 2005
 - Testimony in arbitration on behalf of the Respondent, Minsk Tractor Works, as an expert witness related to the value of recovered assets in bankruptcy.

**Professional
Experience**
(continued)

Trial and Arbitration Testimony – (continued):

- ***CSC Holdings, Inc. v. Yankees Entertainment and Sports Network, LLC***
American Arbitration Association, New York
Case No. 13 181 02839 03
February 2004
 - Testimony on behalf of the Claimant as an expert witness related to fair and reasonable terms and fair market value associated with a long-term agreement between Cablevision and YES Network.
- ***Official Committee of Unsecured Creditors (Exide Technologies), v. Credit Suisse First Boston***
United States Bankruptcy Court, District of Delaware
Case No. 02-11125
October 2003
 - Testimony on behalf of the Defendant on the solvency of Exide Technologies in a fraudulent conveyance lawsuit.
- ***Commonwealth Associates, LP v. Smartserv Online, Inc.***
Supreme Court of the State of New York, Southern District
Index No. 600869/00
November 2002
 - Testimony on behalf of the Plaintiff of restricted shares in a publicly traded Internet company.
- ***Banestyrelsen et al. v. France Telecom***
International Chamber of Commerce
Case No. 11351
September 2002
 - Testimony on behalf of the Plaintiff of a minority equity investment in an international Internet service provider.

Deposition Testimony:

- ***NAF Holding, LLC v. Li & Fung (Trading) Ltd.***
United States District Court, Southern District of New York
Civil Action No. 10 Civ. 05762
April 2012
 - Deposition testimony on behalf of the Plaintiff in a commercial dispute relating to lost profits pertaining to an unconsummated disputed transaction.
- ***Hexion Specialty Chemicals, Inc.; et. al. v. Huntsman Corp.***
The Court of Chancery of the State of Delaware
Civil Action No. 3841
August 2008
 - Deposition testimony as a fact witness on behalf of the plaintiff assessing the pro forma financial outlook and solvency of the combined entity.
- ***OHC Liquidation Trust v. Credit Suisse First Boston, et al.***
United States District Court for the District of Delaware
Case No. 07-799
March 2008
 - Deposition testimony on behalf of the Defense as an expert witness related to alleged damages in association with advice regarding the timing of a restructuring/bankruptcy of a mobile home manufacturer.

Mr. Allen M. Pfeiffer
Managing Director
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Deposition Testimony – (continued):

- ***In re: Adelfia Communications Corp., et al.***
United States Bankruptcy Court, Southern District of New York
Case No. 02-41729
March 2006
 - Deposition testimony on behalf of the Debtors as an expert witness related to the value of a cable company in conjunction with the failed buyout of a joint venture partner.
- ***Celebrity Cruises, Inc., et al. v. Essef Corp., et al.***
United States District Court, Southern District of New York
Case No. 96-Civ-3135
July 2005
 - Deposition and hearing testimony on behalf of the Plaintiff as an expert witness on diminution of enterprise value, damages and lost profits related to disease outbreak in the cruise industry.
- ***In re: Footstar, Inc., et al.***
United States Bankruptcy Court, Southern District of New York
Case No. 04-22350
June 2005
 - Deposition testimony on behalf of Kmart Corporation, Respondent, as an expert witness related to reasonableness of income projections, in dispute against Footstar, Inc., et al. as Debtors.

Education

M.B.A. - Finance, *with distinct honors*, Columbia Business School

B.A. - Economics and Mathematics, *cum laude*, Yeshiva University

ATTACHMENT II

List of Documents Considered

Number	Date	Document
1	6/11/2012	Order to Show Cause
2	6/11/2012	Verified Petition with Exhibits A to E
3	6/11/2012	Memorandum of Law in Support of Verified Petition of the Superintendent of Financial Services of the State of New York
4		Order of Rehabilitation
5	6/28/2012	Omnibus Reply Memorandum of Law in Further Support of the Verified Petition of the Superintendent of Financial Services of the State of New York with exhibits 1 and 2
6	9/14/2012	Novation Agreement between FGIC and National Public Finance Guarantee Corp.
7	9/27/2012	Affirmation of Gary T. Holtzer with Exhibits A, B, D, E
8	9/28/2012	Order to Show Cause
9	10/8/2012	Amended and Restated Charter of FGIC
10	10/8/2012	FGIC Form of Amended and Restated By-laws
11	10/11/2012	Affirmation of Harold S. Horwich in Support of Plan Approval
12	10/25/2012	Memorandum of Law in Support of Approval of Plan of Rehabilitation for FGIC
13	11/14/2012	Plan Supplement Index with attachments D through L
14		Revised Proposed Plan Approval Order
15		Blackline of Revised Proposed Plan Approval Order
16	11/19/2012	Objection of Trustees Deutsche Bank National Trust Company and Deutsche Bank Trust Company Americas to the Proposed Plan of Rehabilitation for FGIC with Exhibit A
17	11/19/2012	Objection to the Proposed Plan of Rehabilitation of Wells Fargo Bank, N.A., in its Capacity as Trustee for Certain RMBS Certificateholders and on Behalf of the Certificateholders and Noteholders for such Trusts and Transactions with Appendix
18	11/19/2012	Objection of U.S. Bank National Association and U.S. Bank Trust National Association, each in its Capacity as Trustee, to the Plan of Rehabilitation dated September 27, 2012 with Affidavit and Exhibits A to D in Support
19	11/19/2012	Objection of the Bank of New York Mellon and the Bank of New York Mellon Trust Company N.A. as Trustee to the Proposed Plan of Rehabilitation with Affidavit and Exhibits A to E in Support
20	11/19/2012	Objection and Joinder of Aurelius Capital Management, LP to (1) the Objection of U.S. Bank National Association and U.S. Bank Trust National Association to the Plan of Rehabilitation dated September 27, 2012 and (2) the Objections of the Bank of New York Mellon and the Bank of New York Mellon Trust Company, N.A. to the Proposed Plan of Rehabilitation

List of Documents Considered

Number	Date	Document
21	11/19/2012	Objection of Assured Guaranty Corp., Assured Guaranty Re Ltd. and Assured Guaranty Re Overseas Ltd. to Plan of Rehabilitation Proposed by Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York, as Rehabilitator of FGIC with Affidavit and Exhibits A to B in Support
22	11/19/2012	Objection of CQS ABS Master Fund Ltd., CQS Select ABS Master Fund Ltd. and CQS ABS Alpha Master Fund Ltd. to Plan of Rehabilitation for FGIC with Appendices A to G in Support
23	11/19/2012	Conditional Objection of Jefferson County, Alabama to the Plan of Rehabilitation for FGIC with exhibits A and B in support
24	11/19/2012	Objections of Certain Jefferson County Warrantholders to Plan of Rehabilitation with Affirmation and Exhibits A and B in Support
25	11/19/2012	Limited Objection of Children's Health Partnership Holdings Pty Ltd as Trustee of the CHP Holdings Unit Trust to Plan of Rehabilitation for FGIC with Affirmation and Exhibits A and B in Support
26	11/20/2012	Interim Order Extending Plan Supplement Deadline
27	12/6/2012	Notice of Entry attaching Order Approving the Settlement Commutation and Release Agreement between FGIC and American Overseas Reinsurance Co. Ltd.
28		Plan Approval Blackline
29	12/12/2012	Plan Approval Order
30	12/12/2012	First Amended Plan of Rehabilitation for Financial Guaranty Insurance Company
31		First Amended Plan Blackline
32	12/12/2012	Attachment D Schedule of Terminated Contracts and Leases
33		FGIC Proof of Policy Claim Form
34		Redline Proof of Policy Claim Form
35	12/12/2012	Omnibus Reply Memorandum of Law in Further Support of Approval of First Amended Plan of Rehabilitation for FGIC.
36	12/12/2012	Affidavit of Michael W. Miller in Further Support of Approval of First Amended Plan of Rehabilitation
37	12/12/2012	Affidavit of John S. Dubel in Further Support of Approval of First Amended Plan of Rehabilitation
38	12/3/2012	Notice of Withdrawal of Conditional Objection of Jefferson County, Alabama to the Plan of Rehabilitation
39	12/10/2012	Notice of Withdrawal of Objection of Assured Guaranty Corp., Assured Guaranty Re Ltd. and Assured Guaranty Re Overseas Ltd. to Plan of Rehabilitation
40		Exhibit 1A: Omnibus Response Chart
41	12/19/2012	Order by Doris Ling-Cohan
42	1/7/2013	CDS Notice of Entry
43	1/7/2013	AAardvark Notice of Entry

List of Documents Considered

Number	Date	Document
44	1/18/2013	Court Order dated January 18, 2013
45	1/24/2013	Court Order dated January 24, 2013
46	1/22/2012	Amended objection of Deutsche Bank to the First Amended Proposed Plan of Rehabilitation
47	1/22/2012	Amended objection of Wells Fargo to the First Amended Proposed Plan of Rehabilitation
48	1/22/2012	Amended objection of US Bank to the First Amended Proposed Plan of Rehabilitation
49	1/22/2012	Amended objection of Aurelius to the First Amended Proposed Plan of Rehabilitation
50	1/22/2012	Amended objection of BNY to the First Amended Proposed Plan of Rehabilitation
51	1/22/2012	Amended objection of CQS to the First Amended Proposed Plan of Rehabilitation
52	1/22/2012	Amended objection of Jeffco Holders to the First Amended Proposed Plan of Rehabilitation
53	1/25/2013	Weil Gotshal letter to Honorable Doris Ling-Cohan
54	1/25/2013	Amended Omnibus Reply Memorandum of Law in Further Support of Approval of First Amended Plan of Rehabilitation for FGIC
55	1/22/2012	Amended limited objections of Children's Health Partnership to the First Amended Proposed Plan of Rehabilitation
56	1/22/2013	Weil Gotshal submission on standard
57	1/22/2013	Trustee Objectors submission on standard
58	1/22/2013	CQS submission on standard
59	1/22/2013	Jeffco Warranholders submission on standard
60		Attachment E Proof of Policy Claim Form
61	1/22/2013	Aurelius submission on standard
62	1/22/2013	Children's Health Partnership submission on standard
63		Attachment F Instructions for Completing Proof of Policy Claim Form
64		Attachment E-1 Blackline of Proof of Policy Claim Form
65		Attachment F-1 Blackline of Proof of Policy Claim Form
66	1/28/2013	Order adjourning hearing date
67	1/28/2013	Order amending 1/24/2013 order
68	1/25/2013	Weil Gotshal letter to Wells Fargo regarding plan sections.
69	1/25/2013	Weil Gotshal letter to BNY regarding plan sections.
70	2/11/2013	Weil Gotshal letter to Justice Ling-Cohan regarding remaining issues.
71	2/11/2013	Exhibit 1C Amended Omnibus Response Chart
72	2/14/2013	Order setting status conference
73	2/19/2013	Interim scheduling order

List of Documents Considered

Number	Date	Document
74	2/14/2013	Weil Gotshal draft revisions of First Amended Plan for Rehabilitation
75	2/5/2013	Proposed revisions to proof of policy claim form
76	3/15/2013	Syncora notice of entry
77	3/15/2013	Munich notice of entry
78	3/11/2013	Weil Gotshal draft revisions of Plan Approval Order
79	4/5/2013	Freddie Mac statement of non-objection
80	4/12/2013	Weil Gotshal enclosing clean and redlines of First Amended Plan of Rehabilitation and proof of policy claim form
81	4/12/2013	Clean First Amended Plan of Rehabilitation
82	4/12/2013	Blackline of revised proof of policy claim form
83	4/12/2013	Clean revised proof of policy claim form
84	4/12/2013	Wells Fargo notice of withdrawal of objections
85	4/12/2013	BNY notice of withdrawal of objections
86	4/12/2013	Deutsche Bank notice of withdrawal of objections
87	4/12/2013	U.S. Bank notice of withdrawal of objections
88	4/16/2013	Weil Gotshal letter to court regarding termination agreement and deed of release
89	4/23/2013	Scheduling order
90	4/26/2013	Children's Health Partnership notice of entry
91	4/25/2013	Children's Health Partnership notice of withdrawal of objections
92	2012	Ibbotson Cost of Capital Yearbook 2012
93	2013	Ibbotson Cost of Capital Yearbook 2013
94	6/4/2013	Revised Proposed Plan Approval Order, Filed June 4, 2013
95	6/4/2013	Blackline of Revised Proposed Plan Approval Order, Filed June 4, 2013
96	6/4/2013	Blackline of First Amended Plan of Rehabilitation, Filed June 4, 2013
97	6/4/2013	Letter to Rehabilitation Court, Dated June 4, 2013
98	6/5/2013	Letter to the Rehabilitation Court, Dated June 5, 2013
99	6/11/2013	Plan Approval Order
100	6/11/2013	Notice of Plan Approval
101	6/4/2013	Notice of Withdrawal of Objections of Aurelius Capital Management, LP to Plan of Rehabilitation for Financial Guaranty Insurance Company Subject to Entry of Revised Plan Approval Order

List of Documents Considered

Number	Date	Document
102	6/4/2013	Notice of Withdrawal of Objections of CQS ABS Master Fund, Ltd., CQS Select ABS Master Fund Ltd. and CQS ABS Alpha Master Fund Ltd. to Plan of Rehabilitation for Financial Guaranty Insurance Company Subject to Entry of Revised Plan Approval Order
103	5/31/2013	Letter Withdrawing Objections of Certain Jefferson County Warranholders to Plan of Rehabilitation
104	5/31/2013	Affirmation in Support of Rehabilitators Motion for an Order (i) approving that certain Stipulation Regarding Treatment under Plan of Rehabilitation for Financial Guaranty Insurance Company among the Rehabilitator of Financial Guaranty Insurance Company, Financial Guaranty Insurance Company, The Bank of New York Mellon, as successor trustee, The Bank of New York Mellon, as fiscal agent, and certain Jefferson County Warranholders, dated May 31, 2013, and (ii) amending, to the extent necessary to give effect to the Stipulation, FGIC's obligations under the JeffCo Warrant Policies
105	5/31/2013	Stipulation Regarding Treatment under Plan of Rehabilitation for Financial Guaranty Insurance Company among the Rehabilitator of Financial Guaranty Insurance Company, Financial Guaranty Insurance Company, The Bank of New York Mellon, as successor trustee, The Bank of New York Mellon, as fiscal agent, and certain Jefferson County Warranholders, dated May 31, 2013
106	6/11/2013	Signed Order to Show Cause, dated June 11, 2013, Setting the Hearing Date, and Certain Deadlines, for Approval of the Stipulation and Setting Forth the Treatment of JeffCo Control Rights
107	5/14/2013	2013 Q1 FGIC Statement (PDF)
108	N/A	March 31, 2013 FGIC Quarterly Operating Review (PDF)
109	5/10/2013	2013 1st Quarter FGIC Statutory-Basis Financial Statements (PDF)
110	6/11/2013	Interim Order, dated June 11, 2013, regarding ResCap Trustees' Compliance with Order to Show Cause Notice Provision
111	5/31/2013	Affirmation in Support of Rehabilitators Motion for an Order (i) approving that certain Stipulation Regarding Treatment under Plan of Rehabilitation for Financial Guaranty Insurance Company among the Rehabilitator of Financial Guaranty Insurance Company, Financial Guaranty Insurance Company, The Bank of New York Mellon, as successor trustee, The Bank of New York Mellon, as fiscal agent, and certain Jefferson County Warranholders, dated May 31, 2013, and (ii) amending, to the extent necessary to give effect to the Stipulation, FGIC's obligations under the JeffCo Warrant Policies
112	5/31/2013	Stipulation Regarding Treatment under Plan of Rehabilitation for Financial Guaranty Insurance Company among the Rehabilitator of Financial Guaranty Insurance Company, Financial Guaranty Insurance Company, The Bank of New York Mellon, as successor trustee, The Bank of New York Mellon, as fiscal agent, and certain Jefferson County Warranholders, dated May 31, 2013
113	6/11/2013	Signed Order to Show Cause, dated June 11, 2013, Setting the Hearing Date, and Certain Deadlines, for Approval of the Stipulation and Setting Forth the Treatment of JeffCo Control Rights

List of Documents Considered

Number	Date	Document
114	7/12/2013	Termination Agreement by and Among FGIC, The Bank of New York Mellon in various capacities, the Company and Other Parties
115	7/12/2013	Order Approving FGIC's Execution and Performance of Certain Agreements Related to the Chapter 9 Case of Jefferson County, Alabama
116	6/7/2013	NOTICE OF HEARING ON DEBTORS' MOTION PURSUANT TO FED. R. BANKR. P. 9019 FOR APPROVAL OF THE SETTLEMENT AGREEMENT AMONG THE DEBTORS, FGIC, THE FGIC TRUSTEES AND CERTAIN INSTITUTIONAL INVESTORS
117	6/14/2013	JOINDER OF FGIC TRUSTEES TO THE DEBTORS' MOTION PURSUANT TO FED. R. BANKR. P. 9019 FOR APPROVAL OF THE SETTLEMENT AGREEMENT AMONG THE DEBTORS, FGIC, THE FGIC TRUSTEES AND CERTAIN INSTITUTIONAL INVESTORS
118	6/14/2013	JOINDER OF FGIC TRUSTEES TO THE DEBTORS' MOTION PURSUANT TO FED. R. BANKR. P. 9019 FOR APPROVAL OF THE SETTLEMENT AGREEMENT AMONG THE DEBTORS, FGIC, THE FGIC TRUSTEES AND CERTAIN INSTITUTIONAL INVESTORS
119	6/19/2013	RESERVATION OF RIGHTS WITH RESPECT TO DEBTORS' MOTION FOR AN ORDER UNDER BANKRUPTCY CODE SECTIONS 105(A) AND 363(B) AUTHORIZING THE DEBTORS TO ENTER INTO AND PERFORM UNDER A PLAN SUPPORT AGREEMENT WITH ALLY FINANCIAL INC., THE CREDITORS' COMMITTEE, AND CERTAIN CONSENTING CLAIMANTS
120	6/19/2013	JOINDER OF FEDERAL HOME LOAN MORTGAGE CORPORATION TO MONARCH ALTERNATIVE CAPITAL LP AND STONEHILL CAPITAL MANAGEMENT LLC'S RESERVATION OF RIGHTS WITH RESPECT TO DEBTORS' MOTION FOR AN ORDER UNDER BANKRUPTCY CODE SECTIONS 105(A) AND 363(B) AUTHORIZING THE DEBTORS TO ENTER INTO AND PERFORM UNDER A PLAN SUPPORT AGREEMENT WITH ALLY FINANCIAL INC., THE CREDITORS' COMMITTEE, AND CERTAIN CONSENTING CLAIMANTS

List of Documents Considered

Number	Date	Document
121	6/19/2013	OBJECTION OF THE AD HOC GROUP OF JUNIOR SECURED NOTEHOLDERS TO THE DEBTORS' MOTION PURSUANT TO FED. R. BANKR. P. 9019 FOR APPROVAL OF THE SETTLEMENT AGREEMENT AMONG THE DEBTORS, FGIC, THE FGIC TRUSTEES AND CERTAIN INSTITUTIONAL INVESTORS
122	6/19/2013	OMNIBUS REPLY OF CERTAIN RMBS TRUSTEES TO RESPONSES TO THE DEBTORS' MOTION FOR AN ORDER UNDER BANKRUPTCY CODE SECTIONS 105(a) AND 363(b) AUTHORIZING THE DEBTORS TO ENTER INTO AND PERFORM UNDER A PLAN SUPPORT AGREEMENT WITH ALLY FINANCIAL INC., THE CREDITORS' COMMITTEE, AND CERTAIN CONSENTING CLAIMANTS
123	6/25/2013	STATEMENT OF THE STEERING COMMITTEE GROUP OF RMBS HOLDERS IN SUPPORT OF THE OMNIBUS REPLY OF CERTAIN RMBS TRUSTEES TO RESPONSES TO THE DEBTORS' MOTION FOR AN ORDER UNDER BANKRUPTCY CODE SECTIONS 105(a) AND 363(b) AUTHORIZING THE DEBTORS TO ENTER INTO AND PERFORM UNDER A PLAN SUPPORT AGREEMENT WITH ALLY FINANCIAL INC., THE CREDITORS' COMMITTEE, AND CERTAIN CONSENTING CLAIMANTS
124	5/10/2013	STATUTORY - BASIS FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION Financial Guaranty Insurance Company Years Ended December 31, 2012 and 2011 With Report of Independent Auditors
125	5/14/2013	2012 FGIC Statement
126	12/14/2012	STATUTORY - BASIS FINANCIAL STATEMENTS Financial Guaranty Insurance Company September 30, 2012

ATTACHMENT III

RESCAP

Residential Capital, LLC

FGIC Commutation Proposal Discussion Materials

May 15, 2013

DUFF & PHELPS

Duff & Phelps Securities, LLC is a FINRA Registered Broker-Dealer

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Executive Summary

In late March, FGIC delivered a commutation proposal (“Proposal”) to the Steering Committee Group of RMBS Holders for ResCap sponsored trusts to provide a global resolution regarding the pending RMBS litigation. The Proposal from FGIC sets forth a lump sum cash consideration paid to the policyholders of the ResCap-related wrapped trusts in exchange for the ability to assert a general unsecured claim in the ResCap bankruptcy cases.

- On June 11, 2012, Benjamin Lawsky, Superintendent of Financial Services of the State of New York (the “Rehabilitator”), filed a rehabilitation petition on behalf of FGIC with the Supreme Court of the State of New York.
 - The Rehabilitator filed an initial Plan of Rehabilitation for FGIC on September 27, 2012 and filed the First Amended Plan of Rehabilitation on December 12, 2012.
 - In connection with the First Amended Plan of Rehabilitation, Lazard, as financial advisor to the New York Liquidation Bureau, submitted an affidavit which contained revised projections.
 - The Rehabilitator filed a revised First Amended Plan of Rehabilitation for FGIC on April 12, 2013 (the “Plan”) which is expected to be heard on June 11, 2013.
- Based on the current Plan, holders of permitted policy claims (“Policyholders”) would receive (i) an upfront Cash Payment in an amount equal to a specified cash payout percentage upon the initial incurrence of the policy claim and (ii) additional catch-up payments through a ratable payout mechanism as set forth in the Plan.
 - In the revised Base Scenario, the Policyholders would receive an initial recovery of ~17.25% and then a subsequent distribution of up to 28.5% on their claim (based on a net present value of the distributions discounted at an illustrative rate of 15%).
- In connection with the Plan, FGIC presented the Proposal to the Steering Committee Group of RMBS Holders for ResCap trusts in late March.
 - The Proposal provides a cash payout from FGIC of approximately **\$253 million** to the ResCap-related RMBS Policyholders in exchange for FGIC to have the right to assert a **~\$597 million claim** in the ResCap case.

Executive Summary (cont'd) Pg 95 of 101

Based on D&P's loss estimates of the wrapped portion of the ResCap-sponsored RMBS trusts, the cash commutation proposal provided by FGIC is within the range of expected payments under the Plan of Rehabilitation on discounted cash flow basis.

	FGIC Settlement Proposal	FGIC Plan	
Considerations <i>(Benefits and Risks)</i>	<ul style="list-style-type: none"> RMBS Policyholders would receive approximately \$253 million upon plan confirmation (on or around December 2013). Benefit: Provides a global resolution on outstanding ResCap RMBS litigation issues. Benefit: One-time cash payment made to ResCap RMBS Policyholders upon plan confirmation. Benefit: ResCap RMBS Trusts will not need to pay future premiums. Risk: Potential risk of relinquished upside economics in the event that the Base Scenario under the Plan is met and correspondingly exceeded. 	<ul style="list-style-type: none"> RMBS Policyholders would receive approximately \$150 million upon plan confirmation (on or around December 2013); remainder of the payments will be made over 40 years. Benefit / Risk: RMBS Policyholders bear the exposure to upside opportunity (benefit) and downside (risk) related to size of actual claim pool(s) and cash flows. Risk: A significant portion of cash distributions from Deferred Payout Obligations and other true-up payments are significantly back-ended, although a majority of the claims are expected to arise in the first five years (>70%). Risk: Outstanding ResCap RMBS litigation issues would need to be resolved separately. Risk: Recoveries are based on stale financial projections and claim estimates; updated estimates have not yet been provided. 	
		Base Scenario	Stress Scenario
Cash Payments (NPV for the Plan)	\$253 million	~\$220 to \$340 million ^(a)	~\$190 to \$250 million ^{(a)(b)}
Duff & Phelps' Recommendation	X	<i>Settlement Proposal is within the range of reasonableness under either scenario(s). Distributions are subject to additional unforeseen risks not identified above.</i>	

a) Range reflects 10% to 20% discount rate applied to the projected payouts.

b) Reflects 17-18% recovery on D&P's low and high loss estimates.

Note: D&P has not estimated projected losses that correspond to the underlying macro assumptions as assumed under the Stress Scenario (per the Lazard Affidavit).

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FGIC Settlement Proposal

FGIC Settlement Proposal – Commutation and Claim

(\$ in millions)

The Proposal outlines a cash payment of approximately \$253 million by FGIC upon emergence in exchange for the ability for FGIC to assert approximately \$597 million of allowed claims at Rescap.

- The following Proposal is based on the following three main assumptions:
 - [A] Initial Cash Payment Percentage of 17.25% (based on the updated Stress Scenario pursuant to the Plan),
 - [B] Base Case Payout to policyholders of 28.5% (based on the updated Base scenario pursuant to the Plan assuming a 15% discount rate), and
 - [J] Haircut of 40% on unpaid payout claim estimates.
- In consideration for the cash commutation payment of approximately \$253 million, FGIC in return would receive a claim in the Rescap case for the sum of the (i) payouts made to date related to the RFC- and GMACM-sponsored trusts and (ii) the cash commutation.

Information Points

Initial Cash Payment Percentage (CPP)	17.25%	[A]
Base Case Payout (NPV @ 15.0%)	28.50%	[B]

ResCap Sponsored RMBS Claim (Per FGIC)	\$1,850.0	
Less: Cost, Interest, etc.	(236.0)	
Total Projected Claims in POC	1,614.0	
Claims Paid to Date	344.0	[C]
Estimated Unpaid Claims	1,270.0	
Accrued and Unpaid ("A&U") Claims (as of 3/31/13)	789.0	[D]
Future Estimated Claims	\$481.0	[E]

Commutation Consideration

Claims - A&U - Cash at Initial CPP	\$136.1	[F] = [A] x [D]
Claims - A&U - Base Case Payout less Initial CPP	\$88.8	[G] = [B] x [D] - [F]
Claims - Future Estimated Claims at Base Case Payout	137.1	[H] = [B] x [E]
Subtotal	\$225.8	[I] = [G] + [H]

Factor % of Unpaid Payout	60.0%	[J]
Value Attributable to Estimated Unpaid Claims	\$135.5	[K] = [I] x [J]
Total Value to Trusts	\$271.6	[L] = [F] + [K]
Less: Premiums waived by FGIC and retained by Trusts	18.3	[M]
Cash Commutation paid by FGIC	\$253.3	[N] = [L] - [M]

FGIC Allowed Claims

Prior Claims Paid	\$344.0	[C]
Cash Commutation	253.3	[N]
Amount of FGIC Allowed Claim	\$597.3	[C] + [N]

2

Plan of Rehabilitation

FGIC Plan of Rehabilitation – Summary

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The current Plan of Rehabilitation provides all of the value of FGIC, after the payment of certain administrative expenses and other costs, to be ratably distributed to the all of FGIC’s Policyholders in a fair and equitable manner.

- Per Lazard’s Affidavit filed on December 12, 2012, the Policyholders are projected to receive a recovery of approximately 27-30% in the Base Scenario and 17-18% in the Stress Scenario (assuming a discount rate of approximately 10-20% on the distributions).
- The Policyholders would receive: **(1)** an initial cash payout percentage (“CPP”) of 17.25% on accrued but unpaid claims on the effective date, **(2)** an updated initial CPP on future claims as they arise, **(3)** true-up payments for any upward changes in the CPP, and **(4)** pro rata distribution of excess cash after accounting for appropriate reserves.
 - The Policyholders would receive distributions on an annual basis based on the updated Base and Stress Scenarios or if there an significant cash inflow event as further outlined in the Plan.

	Base Scenario	Stress Scenario
Summary	<ul style="list-style-type: none"> ▪ FGIC’s current expectation of future Claims, investment performance, recoveries, financial markets and other factors of relevance to CPP Revaluations based on circumstances, events and projections that FGIC anticipates are reasonably likely to occur. 	<ul style="list-style-type: none"> ▪ Non-catastrophic scenario envisioning a severe economic recession that is accompanied by: <ul style="list-style-type: none"> – (i) sharp declines in home prices and the financial markets (e.g., approximately 30% decrease from peak home values), – (ii) significant unemployment (e.g., approximately 5% increase in unemployment rates), – (iii) high mortgage default rates, and – (iv) other negative economic indicators of potential relevance to FGIC’s insured exposures.
Notional Claims	\$6.3 billion	\$11.7 billion
Total Payments	\$2.8 billion	\$2.6 billion
Initial CPP	17.25%	17.25%
Nominal Recovery	45%	23%
10% Discount Rate	30%	18%
15% Discount Rate	28.5%	17%
20% Discount Rate	27%	17%

FGIC Plan of Rehabilitation – Base vs. Stress Scenario

(\$ in millions)

FGIC's total notional claims estimates is approximately \$6.3 billion in the base case and \$11.7 billion in the stress case.

- Based on D&P loss estimates of approximately \$1.2 billion to \$1.5 billion, the Policyholders for the ResCap-sponsored RMBS trusts may potentially represent 10% to 24% of the overall pool.
- A majority of the claims for the Policyholders of Rescap-sponsored RMBS trusts are expected to arise within the next 5 years.

	2012	'13 - '17	'18 - '22	'23 - '27	'28 - '32	'33 - '37	38 - '42	'43 - '47	'48 - '52	Total	
BASE SCENARIO											
All FGIC Policyholders (Lazard Affidavit)	Notional Claims - All	\$2,133	\$1,655	\$585	\$229	\$160	\$948	\$600	\$6	--	\$6,316
	Ending CPP	17%	23%	26%	29%	31%	34%	37%	37%	39%	
	Total Payments	(\$368)	(\$516)	(\$297)	(\$197)	(\$195)	(\$536)	(\$498)	(\$2)	(\$227)	(\$2,840)
	STRESS SCENARIO										
	Notional Claims - All	\$2,399	\$3,874	\$1,247	\$675	\$637	\$1,696	\$1,130	\$12	--	\$11,670
	Ending CPP	17%	17%	17%	17%	17%	17%	17%	17%	20%	
	Total Payments	(\$414)	(\$668)	(\$215)	(\$116)	(\$110)	(\$293)	(\$195)	(\$2)	(\$629)	(\$2,642)
	VARIANCE										
	Notional Claims - All	\$266	\$2,219	\$662	\$446	\$477	\$748	\$530	\$6	--	\$5,354
	Ending CPP	(0%)	(6%)	(9%)	(11%)	(13%)	(16%)	(19%)	(19%)	(18%)	
Total Payments	(\$46)	(\$152)	\$82	\$81	\$85	\$243	\$303	--	(\$402)	\$198	
LOW CASE											
Claims for Policyholders of ResCap-Related RMBS Trusts (Per D&P's Estimates)	Notional Claims - ResCap	\$753	\$173	\$69	\$53	\$74	\$40	(\$0)	(\$0)	\$0	\$1,162
	% Cumulative	65%	80%	86%	90%	97%	100%	100%	100%	100%	100%
	% of Total Notional Claims										
	Base Case	35%	10%	12%	23%	46%	4%	NM	NM	NM	18%
	Stress Case ^(a)	31%	4%	6%	8%	12%	2%	NM	NM	NM	10%
	HIGH CASE										
	Notional Claims - ResCap	\$753	\$386	\$124	\$115	\$110	\$59	\$0	(\$0)	\$0	\$1,546
	% Cumulative	49%	74%	82%	89%	96%	100%	100%	100%	100%	100%
	% of Total Notional Claims										
	Base Case	35%	23%	21%	50%	69%	6%	0%	NM	NM	24%
Stress Case ^(a)	31%	10%	10%	17%	17%	3%	0%	NM	NM	13%	

(a) D&P has not estimated projected losses that reflect the same underlying macro assumptions as the Stress Scenario included in the Affidavit.

FGIC Plan of Rehabilitation – ResCap Trust Policyholders

(\$ in millions)

Under the Base Scenario, the ResCap-Sponsored RMBS Trust Policyholders may receive approximately \$220-\$340 million on a net present value basis.

Plan of Rehabilitation – Base Scenario							
	Initial	'14 - '17	'18-'52	Total Recovery			Notes
				Recovery % Based on:			
				% Notional	% Discounted		
LOW CASE							
Notional Claims - ResCap	\$814	\$112	\$236	\$1,162			[A]
<u>Nominal Cash Flow</u>							
Initial CPP Payments	\$150	\$23	\$67	\$240			
Catch-Up CPP Payments	--	40	164	204			
Subtotal	150	63	231	444			
Portion of DPO Accretion Payout	--	4	70	74			
Total Payout	\$150	\$67	\$301	\$518	45%		[B]
<u>Discounted Cash Flows</u>							
10%	\$150	\$53	\$65	\$268	23%	27%	[C]
15%	150	48	38	235	20%	25%	
20%	150	43	24	217	19%	24%	
HIGH CASE							
Notional Claims - ResCap	\$888	\$251	\$408	\$1,546			[A]
<u>Nominal Cash Flow</u>							
Initial CPP Payments	\$163	\$52	\$114	\$330			
Catch-Up CPP Payments	--	46	214	261			
Subtotal	163	99	328	590			
Portion of DPO Accretion Payout	--	5	89	94			
Total Payout	\$163	\$103	\$418	\$684	44%		[B]
<u>Discounted Cash Flows</u>							
10%	\$163	\$82	\$93	\$339	22%	28%	[C]
15%	163	74	54	292	19%	25%	
20%	163	68	35	266	17%	24%	

[A] A majority of the notional claims for the ResCap RMBS Trust Policyholders are presented within the first 5 years post-emergence in both the low and high cases.

[B] However, the nominal cash flows to the Policyholders are mostly back-ended due to the true-up payments related to the projected CPP increases and the payments on account of the DPO accretion.

[C] When applying a 10-20% discount rate to the recovery cash flow stream, the illustrative recovery estimates are approximately \$220-\$340 million which implies a recovery rate of approximately 17-23% based on the notional claim amount and 24-28% based on the discounted claim amount.

Note: Assumes emergence occurs at the end of 2013.