

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

In the Matter of

The Rehabilitation of
FINANCIAL GUARANTY INSURANCE
COMPANY.

X

Index No. 401265/2012

Justice Doris Ling-Cohan

Motion Sequence No. 4

X

**OBJECTION AND JOINDER OF AURELIUS CAPITAL MANAGEMENT, LP TO (I)
THE 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,
AND (II) THE OBJECTIONS 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**

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LP*

Aurelius Capital Management, LP (**"Aurelius"**), in its capacity as manager of entities that hold, in the aggregate, over \$780 million original face amount of residential mortgage-backed securities insured by Financial Guaranty Insurance Company (**"FGIC"**), by and through its attorneys, hereby files its Objection and Joinder (the **"Joinder"**) to the *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*, dated November 19, 2012 (the **"U.S. Bank Objection"**), and the *Objections 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*, dated November 19, 2012 (the **"BNY Mellon Objection"** and together with the U.S. Bank Objection, the **"RMBS Trustee Plan Objections"**). In support of its Joinder, Aurelius respectfully states as follows:

Background

1. On June 11, 2012, the Superintendent of Financial Services of the State of New York (**"Superintendent"**) petitioned this Court to place FGIC into rehabilitation and to obtain certain injunctive relief with respect to FGIC and its wholly-owned subsidiary, FGIC Credit Products, LLC (**"Proposed Rehabilitation Order"**). The Proposed Rehabilitation Order, as modified in response to objections raised by certain RMBS trustees, was entered by this Court on June 28, 2012 (**"Rehabilitation Order"**).

2. On September 27, 2012, the Superintendent, in his capacity as Rehabilitator, filed the proposed Plan of Rehabilitation for FGIC (the **"Plan"**) together with, among other things, a Disclosure Statement, Plan Supplement and a Proposed Plan Approval Order. A hearing on confirmation of the Plan is currently scheduled for December 18, 2012.

3. Among other objectionable provisions, the Plan, as currently drafted, seeks to abrogate policyholders' statutory and common law rights of setoff and recoupment, both

prospectively and retroactively, while at the same time maintaining and even expanding those rights for FGIC. Under the New York rehabilitation statutes, the unilateral abolition of the policyholders' well-established rights of setoff and recoupment is not permitted.

4. On November 19, 2012, the RMBS Trustee Plan Objections were filed with this Court.

Joinder in the RMBS Trustee Plan Objections

5. Aurelius hereby objects to the Plan of Rehabilitation for Financial Guaranty Insurance Corporation and adopts and incorporates herein by reference the objections set forth in the RMBS Trustee Plan Objections to the extent such objections are applicable to Aurelius. Aurelius reserves the right to amend, supplement, alter or modify this Joinder.

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WHEREFORE, for the reasons set forth herein, Aurelius respectfully requests that this Court reject or modify the Plan with such other and further relief as the Court deems appropriate.

Dated: New York, New York
November 19, 2012

Respectfully submitted,

DECHERT LLP

By: 

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