

AT IAS PART 36 OF THE SUPREME COURT
OF THE STATE OF NEW YORK, COUNTY OF
NEW YORK, AT THE COURTHOUSE,
62 CENTRE STREET, IN THE COUNTY, CITY
AND STATE OF NEW YORK, ON THE 11th DAY
OF JUNE, 2012

PRESENT: **DORIS LING COHAN**
HON. _____, J.S.C.

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In the Matter of

Index No. 40126J/2012

the Application of

ORDER TO SHOW CAUSE

Benjamin M. Lawsky, Superintendent of Financial
Services of the State of New York, for an order to
take possession of the property of and rehabilitate

FINANCIAL GUARANTY INSURANCE
COMPANY.
----- X

Upon reading (i) the annexed Verified Petition of Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York (the "**Superintendent**"), duly verified on the 11th day of June, 2012 (the "**Rehabilitation Petition**"),¹ which seeks entry of the Proposed Rehabilitation Order (as defined below) based upon (a) the consent of Financial Guaranty Insurance Company ("**FGIC**"), (b) FGIC's insolvency, and (c) FGIC's inability to remove an impairment of its capital, (ii) the exhibits attached to the Rehabilitation Petition, and (iii) the Memorandum of Law in Support of the Rehabilitation Petition; and it appearing that the relief sought should be granted;

NOW, on motion of Eric T. Schneiderman, Attorney General of the State of New York, attorney for the Superintendent, and after due deliberation having been had thereon;

¹ Capitalized terms not otherwise defined shall have the meanings ascribed to them in the Rehabilitation Petition.

LET FGIC, or their counsel, appear and show cause before this Court at IAS Part 36, Room 428, thereof, at the Courthouse located at 60 Centre Street, New York, New York, on the 28th day of June, 2012, at 2¹⁵ o'clock p.m., or as soon thereafter as counsel can be heard (the "Return Date"), why an order should not be made, pursuant to Article 74 of the New York Insurance Law (the "NYIL"), substantially in the form attached to the Rehabilitation Petition as Exhibit A (the "Proposed Rehabilitation Order"), (i) appointing the Superintendent and his successors in office as rehabilitator ("Rehabilitator") of FGIC; (ii) directing the Rehabilitator to take possession of the property and assets of FGIC and to conduct the business thereof; and (iii) directing the Rehabilitator to take such steps toward the removal of the causes and conditions which have made this rehabilitation proceeding (the "Rehabilitation Proceeding") necessary;

AND sufficient cause having been alleged therefor, service of a copy of this order to show cause and the Rehabilitation Petition and the other supporting papers on which it is granted shall be made by personal service upon John S. Dubel, Chief Executive Officer of FGIC, as designated agent for service of process, or any other officer, director, trustee, or managing agent of FGIC, and by overnight mail upon Stroock & Stroock & Lavan LLP, attn. William D. Latza, 180 Maiden Lane, New York, NY 10038, counsel for FGIC, on or before the 15th day of June, 2012, and such service shall be deemed good and sufficient service; and it is hereby

ORDERED that, pending a hearing *and determination, or further order of the court* on the Proposed Rehabilitation Order:

1. All persons and entities are enjoined and restrained, except as authorized by the Superintendent or his designee in writing, from:
 - a. transacting FGIC's business;
 - b. disposing of FGIC's property; and

c. disclosing the name, address, or contact information of FGIC's policyholders, or any other information that is proprietary to FGIC or not in the public domain.

2. All persons and entities are enjoined and restrained from wasting or permitting to be done any act or thing that might waste FGIC's property.

3. All persons and entities are enjoined and restrained from commencing, continuing, advancing, or otherwise prosecuting any actions, claims, lawsuits, arbitrations, alternative dispute resolution proceedings, or other formal legal or administrative proceedings in any municipal, state, federal, or foreign court, administrative body, or other tribunal, against (i) the New York State Department of Financial Services ("NYDFS"), the Superintendent, the New York Liquidation Bureau (the "NYLB"), or any of their respective officers, employees, attorneys, representatives, or agents, or any directors, officers, employees, attorneys, representatives, or agents of FGIC or FGIC Credit Products, LLC ("FGIC CP"), in each case as related to FGIC, FGIC CP, the Rehabilitation Circumstances (as defined below), or the commencement or continuation of the Rehabilitation Proceeding; or (ii) FGIC or FGIC CP.

4. All persons and entities are enjoined and restrained from 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 or FGIC CP or any part thereof.

5. All directors, trustees, officers, employees, agents, or representatives, if any, of FGIC and FGIC CP are hereby enjoined and restrained from paying any claims or performing any other obligations of FGIC or FGIC CP under any policy, contract, or other instrument to which FGIC or FGIC CP is a party or by which FGIC or FGIC CP is bound (a "FGIC Policy/Contract"), except as authorized by the Superintendent or his designee in writing.

6. All persons and entities are enjoined and restrained from seeking to acquire, acquiring, or exercising voting or other corporate governance rights pursuant to or under FGIC's outstanding preferred stock.

7. All persons and entities are enjoined and restrained from withholding or continuing to withhold, subordinating, failing to pay, setting-off, or taking similar action with respect to payments (including, without limitation, recoveries or reimbursements) owed (or that would have been or would be owed but for the commencement or continuation of the Rehabilitation Proceeding or the occurrence or existence of any of the Rehabilitation Circumstances) to FGIC or FGIC CP under any FGIC Policy/Contract, or any Transaction Document (as defined below) executed in connection with the issuance of or entry into such FGIC Policy/Contract or related to such FGIC Policy/Contract or any obligations insured or covered thereby, regardless of the existence of any provisions in such FGIC Policy/Contract or Transaction Document that would or may otherwise

5.S.C. permit such withholding, subordination, failure to pay, setting-off, or similar action. As used herein, the term "**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 FGIC or FGIC CP, (ii) the grounds for the Rehabilitation Proceeding described in the Rehabilitation Petition, (iii) actions taken or statements made by FGIC, FGIC CP, the NYSDFS, the Superintendent, the NYLB or any other person or entity 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 FGIC or FGIC CP to pay any amount (whether due to the 1310 Order, the injunctive relief in this Order to Show Cause, or otherwise), and (vi) the issuance and existence of the 1310 Order.

8.

5.S.C. All persons and entities (other than FGIC and FGIC CP) are enjoined and restrained from (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 Policy/Contract or any Transaction Document (as defined below) executed in connection with the issuance of or entry into such FGIC Policy/Contract or related to such FGIC Policy/Contract or any obligations insured or covered thereby, on the basis of the commencement or continuation of the Rehabilitation Proceeding or the occurrence or existence of any of the Rehabilitation Circumstances, regardless of the existence of any provisions in such FGIC Policy/Contract or Transaction Document (as defined below) 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 claims as a result of any actual or attempted early termination of any FGIC Policy/Contract including without limitation Termination Payments (whether calculated on the basis of "Market Quotation", "Loss", "Close-out Amount," or other methodologies) under or in relation to such FGIC Policy/Contract.

9.

5.S.C. All persons and entities (other than FGIC and FGIC CP) are enjoined and restrained from: (i) exercising or taking any action to exercise any approval, consent, direction, determination, appointment, request, voting, veto, waiver, or other right or remedy that FGIC or FGIC CP may have directly or indirectly (through the right to direct or grant or withhold consent with respect to such exercise or otherwise) (or that FGIC or FGIC CP would or may have directly or indirectly but for the commencement or continuation of the Rehabilitation Proceeding or the occurrence or existence of any of the Rehabilitation Circumstances) (the "**FGIC Rights**") under or with respect to any policies, contracts, or other instruments or documents relating to any FGIC Policy/Contract or any obligations insured or covered thereby, including without limitation any

financial guaranty policies, fee letters or premium agreements, insurance and indemnification agreements, credit default swaps or other credit derivative transaction agreements, interest rate or currency rate swap agreements, basis swap agreements, total return swap agreements, indentures, trust deeds, pooling and servicing agreements, pooling agreements, sale and servicing agreements, sale agreements, collateral management or administration agreements, servicing agreements, credit or loan agreements, residential mortgage-backed securities transaction documents, guarantee investment certificates, custodial account agreements, note purchase agreements, or other financing or transaction documents of any kind (collectively, "Transaction Documents") and each a "Transaction Document"; or (ii) failing to take, or taking any action inconsistent with, any action (or inaction) directed (whether actively or passively) to be taken under any Transaction Document pursuant to the exercise by FGIC, FGIC CP, or the Rehabilitator of any FGIC Rights; or (iii) failing to provide, or causing to be provided, to FGIC or FGIC CP any notice, request, or other communication or document that FGIC or FGIC CP may have the right to receive (or that FGIC or FGIC CP would or may have the right to receive but for the commencement or continuation of the Rehabilitation Proceeding or the occurrence or the existence of any of the Rehabilitation Circumstances). For the avoidance of doubt, this paragraph does not enjoin or restrain any servicer (including any master servicer, sub-servicer or special servicer) from servicing underlying collateral to the extent it would be permitted to do so under the applicable Transaction Documents (without regard to the commencement or continuation of the Rehabilitation Proceeding or the occurrence or existence of any Rehabilitation Circumstances).

10. FGIC, and all persons and entities having any property belonging to or relating to FGIC, as applicable, including but not limited to business records, insurance policies, claims files (electronic or paper), software programs, bank records, or any tangible or intangible items of value, shall preserve such property.
11. Any person or entity providing claims processing services, data processing services, electronic records retention services, or other information technology services to or on behalf of FGIC shall maintain and preserve all information in its possession relating in any way to FGIC and its rights and obligations, wherever located, including but not limited to all documents, data, electronic files and records, computer equipment (e.g., servers and printers), software programs, and software licenses owned or leased by FGIC.
12. Any bank, savings and loan association, other financial institution, or any other entity or person which has on deposit or in its possession, custody, or control any of FGIC's funds, accounts, or assets, shall preserve such funds, accounts, and assets and shall pay, remit, distribute, or otherwise deal with such funds, accounts, or assets as directed by FGIC.
13. All persons and entities that provide goods or services to FGIC shall continue to provide such goods or services to FGIC pursuant to the terms of any contract,

lease, or other arrangement with FGIC, regardless of the existence of any provisions in any contract or lease that would otherwise excuse performance on the basis of the commencement or continuation of the Rehabilitation Proceeding or the occurrence or existence of any of the Rehabilitation Circumstances.

All persons and entities are enjoined and restrained from seeking to impose liability upon the NYLB or any of its employees, attorneys, representatives, or agents relating to or arising out of the Rehabilitation Proceeding or the Rehabilitation Circumstances.

The injunctive relief granted by this Order to Show Cause shall issue without the furnishing of an undertaking by the Superintendent. CPLR § 2512(a).

ENTER:

J.S.C.

See page 7 for

Signature

Page 7 of 7

It is further ORDERED:

1/ Opposition papers, if any, shall be *received* by movant's counsel by
June 22, 2012; and

2/ Original to be filed with the court on or before
June 25, 2012, in
Part 36 court room (Room 428, 60 Centre Street, NY, NY 10007 (or, if Room 428 is closed, in
Part 36 mailbox, **with a copy of this Order attached to front of papers (on top)**; and

3/ Reply, if any, may be served on _____, in hand/~~facsimile~~
and filed with Part 36, as provided in the preceding paragraph, on or before
June 28, 2012; and

4/ Proof of service shall be provided to Part Clerk on return date; and

5/ Consent adjournments will be granted if requested at least two days prior to return date, but
adjourned date must be cleared with the Part 36 Clerk and shall not be scheduled for this Part's
Conference day (Friday) and all submissions must be provided to clerk at least three days prior to
adjourned date.

6/ _____

So Ordered,

Dated: _____

6/11/12

DORIS LING-COHAN
J.S.C.

Doris Ling-Cohan, JSC
Supreme Court
60 Centre Street, Room 428
New York, New York 10007