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BY HAND

June 4, 2013

The Honorable Doris Ling-Cohan, J.S.C.  
IAS Part 36  
Supreme Court of the State of New York, County of New York  
60 Centre Street  
New York, NY 10007

Re: *In the Matter of the Rehabilitation of Financial Guaranty Insurance Company*  
Index No. 401265/2012; Motion Sequence No. 004

Dear Justice Ling-Cohan:

As you are aware, we represent Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York, in his capacity as the court-appointed rehabilitator (the “**Rehabilitator**”) of Financial Guaranty Insurance Company (“**FGIC**”). We are submitting this letter in accordance with the Court’s Order dated April 23, 2013 (the “**Scheduling Order**”), requiring the Rehabilitator to supply the Court with a filing outlining the remaining objections to FGIC’s Plan,<sup>1</sup> which is scheduled for a hearing on June 11, 2013.

As stated in the Rehabilitator’s letter to the Court submitted on April 16, 2013, as of that date, only three objectors remained: the Jefferson County sewer warrant holders (the “**JeffCo Holders**”), CQS ABS Master Fund Ltd. (“**CQS**”), and Aurelius Capital Management, LP (“**Aurelius**”).

We are pleased to report today that, as a result of continued negotiations with the JeffCo Holders, CQS, and Aurelius, each of their objections has been resolved as follows:

- Respecting the JeffCo Holders, on May 31, 2013, we filed an Affirmation with the Court requesting approval of a Stipulation among the Rehabilitator, FGIC, The Bank of New York Mellon (as trustee and fiscal agent) and the JeffCo Holders resolving the JeffCo Holders’ Plan objections. On the same day, counsel to the JeffCo Holders hand delivered a letter to the Court indicating the withdrawal of their objections.

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<sup>1</sup> Capitalized terms used but not defined herein have the meanings ascribed to them in the First Amended Plan of Rehabilitation, filed herewith.

- Respecting Aurelius and CQS, the Rehabilitator has agreed to certain revisions to the Plan and proposed Plan Approval Order, as reflected in amended versions that are attached for filing. Based upon these revisions, CQS and Aurelius have filed contemporaneously herewith Notices of Withdrawal withdrawing their respective objections.

The resolution of these remaining objections has eliminated the need to file a chart of remaining objections, as provided in the Scheduling Order.

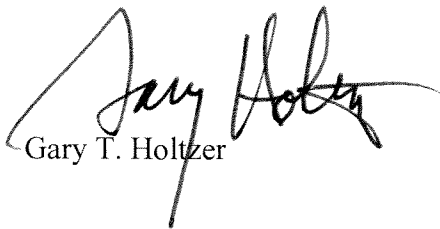
Notwithstanding that all objections to the Plan have been resolved, the Rehabilitator respectfully requests that the Court hold a hearing to consider approval of the Plan on June 11, 2013, as is currently scheduled pursuant to the Scheduling Order. Section 7.6 of the Plan provides that the Rehabilitation Proceeding will automatically terminate upon the Effective Date. Pursuant to NYIL Section 7403(d),<sup>2</sup> and as recognized by Court, a full hearing is required prior to the entry of an order terminating “any rehabilitation proceeding and permitting [the] insurer to resume possession of its property and the conduct of its business . . . .” *See* Order, Jan. 24, 2013, at 2. The Rehabilitator respectfully submits that the issue to be determined at such a termination hearing – whether the purposes of the Rehabilitation Proceeding “have been fully accomplished,” *see* NYIL Section 7403(d) – involves considerations that substantially overlap with those relevant to this Court’s decision whether or not to approve the Plan. A fundamental aspect of the Plan is the restructuring of FGIC’s policies, which provides a means for FGIC to return to statutory solvency, to “resume possession of its property and the conduct of its business,” and to thereby avoid the costs and inefficiencies of a protracted Article 74 proceeding. Thus, upon approval of the Plan, no further findings should be necessary to determine that the purposes of the Rehabilitation Proceeding will have been fully accomplished.

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<sup>2</sup> NYIL section 7403(d) states that “[t]he rehabilitator or any interested person upon due notice to the superintendent, at any time, may apply for an order terminating any rehabilitation proceeding and permitting such insurer to resume possession of its property and the conduct of its business, but no such order shall be granted except when, after a full hearing, the court shall determine that the purposes of the proceeding have been fully accomplished.”

Accordingly, the Rehabilitator requests that the Court hold a full hearing on June 11, 2013 and consider the appropriateness of the Section 7.6 of the Plan, and the automatic termination provided thereby, in connection with the Court's determination whether to approve the rest of the Plan.

Respectfully submitted,



Gary T. Holtzer

Encl.

cc: All counsel of record (by email)