

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

DEC 03 2012

GARY T. HOLTZER

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In the Matter of the Rehabilitation of :  
FINANCIAL GUARANTY INSURANCE :  
COMPANY. :  
:  
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Index No.: 401265/2012  
Doris Ling-Cohan, J.  
Motion Sequence No. 4

**NOTICE OF WITHDRAWAL OF  
CONDITIONAL OBJECTION OF JEFFERSON COUNTY, ALABAMA  
TO THE PLAN OF REHABILITATION FOR  
FINANCIAL GUARANTY INSURANCE COMPANY**

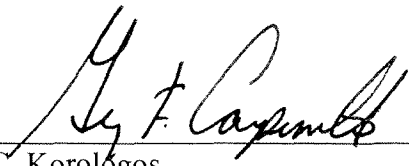
PLEASE TAKE NOTICE that Jefferson County, Alabama (the “County”) has entered into that certain *Stipulation and Agreement Among the Rehabilitator of Financial Guaranty Insurance Company, Financial Guaranty Insurance Company, and Jefferson County, Alabama Regarding Plan of Rehabilitation for Financial Guaranty Insurance Company* (the “Stipulation”), a true and correct copy of which is attached hereto as **Exhibit A**.

PLEASE TAKE FURTHER NOTICE that, based upon its entry into the Stipulation and pursuant to paragraph 18 of the Stipulation, the County hereby WITHDRAWS the *Conditional Objection of Jefferson County, Alabama to the Plan of Rehabilitation for Financial Guaranty Insurance Company* (the “Conditional Objection”), which was filed by the County on November 19, 2012; *provided* that such withdrawal is without prejudice to the County’s rights to reassert the Conditional Objection pursuant to paragraph 18 of the Stipulation.

Dated: November 30, 2012

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By:

  
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**STIPULATION AND AGREEMENT AMONG THE  
REHABILITATOR OF FINANCIAL GUARANTY INSURANCE  
COMPANY, FINANCIAL GUARANTY INSURANCE COMPANY,  
AND JEFFERSON COUNTY, ALABAMA REGARDING PLAN  
OF REHABILITATION FOR FINANCIAL GUARANTY INSURANCE COMPANY**

This stipulation and agreement (the “Stipulation”) is entered into among the Rehabilitator (as defined below) of Financial Guaranty Insurance Company (“FGIC”), FGIC, and Jefferson County, Alabama (“Jefferson County” and, together with the Rehabilitator and FGIC, the “Parties”) as debtor in a case under chapter 9 of title 11 of the United States Code (the “Bankruptcy Code”) captioned *In re Jefferson County, Alabama*, Case No. 11-5736-TBB-9, which case is currently pending before the Honorable Thomas B. Bennett in the United States Bankruptcy Court for the Northern District of Alabama (the “Chapter 9 Case”).

**RECITALS:**

1. Pursuant to various insurance policies, FGIC insures certain scheduled payments of principal or interest on, among other things, certain warrants issued by Jefferson County.
2. On November 9, 2011, Jefferson County commenced the Chapter 9 Case.
3. FGIC has filed, and may in the future file or otherwise assert, claims (as defined in section 101(5) of the Bankruptcy Code) against Jefferson County in the Chapter 9 Case (the “FGIC Claims”).
4. On June 28, 2012, the Supreme Court of the State of New York (the “Rehabilitation Court”) signed an order pursuant to Section 7403(a) of the New York

Insurance Law (i) appointing Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York, as the rehabilitator (the “**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 steps toward the removal of the causes and conditions that have made the above-captioned rehabilitation proceeding necessary.

5. On September 27, 2012, the Rehabilitator filed a proposed Plan of Rehabilitation for FGIC, dated September 27, 2012 (together with all exhibits and supplements thereto, and as the same may be amended or supplemented, the “**Plan**”).

6. The Rehabilitation Court has scheduled a hearing for December 18, 2012 to consider approval of the Plan (the “**Plan Approval Hearing**”).

7. On November 19, 2012, Jefferson County filed with the Rehabilitation Court a Conditional Objection to the Plan (the “**Plan Objection**”).

8. On November 19, 2012, Jefferson County filed in the Chapter 9 Case a Motion to Enforce the Automatic Stay with respect to the Proposed Plan of Rehabilitation for FGIC or, Alternatively, to Extend the Stay to Protect the County with Respect to FGIC’s Rehabilitation Proceeding (Docket No. 1431) (the “**Stay Motion**”).

9. To resolve the Plan Objection and the Stay Motion, the Parties agree to the following:

**AGREEMENT:**

10. The Rehabilitator shall file a revised Plan before the Plan Approval Hearing that will replace the last paragraph of Section 7.8 of the Plan with a paragraph substantially in the form attached hereto as Annex A (the “**Revised Section 7.8 Proviso**”), subject to any additional changes to such paragraph that the Rehabilitator may make that do not affect Jefferson County.

11. Notwithstanding anything to the contrary in the Revised Section 7.8 Proviso, the Parties reserve their rights with respect to whether the Plan may or does permissibly alter, limit, or otherwise modify any rights of Jefferson County to take action based on applicable nonbankruptcy law (including, without limitation, any action based on federal bankruptcy law to the extent that such action is based upon substantive rights arising under applicable nonbankruptcy law) with respect to the allowance, classification, discharge, priority, subordination, or treatment in Jefferson County's Chapter 9 Case of FGIC Claims, including, without limitation, Jefferson County's ability to exercise setoff or recoupment rights arising out of nonbankruptcy law and the proper forum for asserting and liquidating any such rights of setoff or recoupment (collectively, the "**Reserved Issues**"). For the avoidance of doubt, Jefferson County agrees not to attempt to seek to collect monetary damages from FGIC other than by asserting a Claim<sup>1</sup> pursuant to the Plan, subject to the terms, limitations and reservations set forth in the Plan and in this Stipulation.

12. The Parties agree that, other than in connection with any of the Reserved Issues, only the circumstances or events described in clauses (i) through (iii) and (vi) of the definition of "Rehabilitation Circumstances" in the Plan shall be considered "Rehabilitation Circumstances" for purposes of the application of the Revised Section 7.8 Proviso with respect to the Chapter 9 Case.

13. The Parties agree that, other than in connection with any of the Reserved Issues, nothing contained in the Plan shall limit Jefferson County's ability to pursue a Bankruptcy Case Claim Action based upon FGIC's payment or non-payment of any Policy Claims pursuant to the Plan, or the consequences thereof, and FGIC shall retain all rights to challenge any such action

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<sup>1</sup> Capitalized terms not defined herein have the meaning ascribed to them in the Plan, as modified to include the Revised Section 7.8 Proviso.

(other than a challenge by FGIC asserted on the bases set forth in clauses (x) or (y) of the Revised Section 7.8 Proviso).

14. The Parties agree that, solely as among them, any Bankruptcy Case Claim Action Jefferson County may take regarding any of the FGIC Claims does not fall within the scope of any exclusive jurisdiction that may be sought to be created by the Plan; *provided* that any action by Jefferson County to assert a Claim (other than by way of setoff or recoupment, the forum for which is reserved pursuant to Paragraph 11 herein) pursuant to the Plan shall be subject to the exclusive jurisdiction of the Rehabilitation Court pursuant to the Plan.

15. Except as provided in Paragraph 14 above, the Rehabilitator and FGIC agree not to assert that Jefferson County is consenting to jurisdiction before the Rehabilitation Court solely by virtue of Jefferson County entering into this Stipulation, and the Parties agree to reserve their rights with respect to venue and jurisdiction over any dispute regarding the Reserved Issues.

16. Subject to the Revised Section 7.8 Proviso, Jefferson County agrees not to assert that FGIC or the Rehabilitator (or any of their respective representatives, employees, agents or professionals) have violated, are violating or will be violating the automatic stays imposed by sections 362(a) and 922(a) of the Bankruptcy Code in the Chapter 9 Case (together, the “**Automatic Stay**”) by (a) seeking or obtaining any injunctive relief in the Order to Show Cause signed by the Honorable Doris Ling-Cohan on June 11, 2012 or the Order of Rehabilitation signed by the Honorable Doris Ling-Cohan on June 28, 2012 (collectively, the “**Injunctive Relief**”), (b) proposing or implementing the Plan, (c) seeking or obtaining the Plan Approval Order, (d) entering into this Stipulation or (e) taking any other action in the Rehabilitation Proceeding; *provided, however*, that (i) nothing herein is an acknowledgment by any Party regarding whether the Injunctive Relief, the Plan, the Plan Approval Order, this Stipulation or

any other action taken in the Rehabilitation Proceeding has violated, is violating or will violate the Automatic Stay and (ii) nothing herein limits or otherwise impairs Jefferson County's ability to assert that its rights based on applicable nonbankruptcy law (including, without limitation, any action based on federal bankruptcy law to the extent that such action is based upon substantive rights arising under applicable nonbankruptcy law), if any, may not be altered, limited, or otherwise modified because of the Automatic Stay and FGIC's or the Rehabilitator's ability to challenge any such assertion on grounds other than Jefferson County's agreement regarding the Automatic Stay in this Paragraph 16.

17. Subject to the Revised Section 7.8 Proviso, the Rehabilitator and FGIC agree not to assert that Jefferson County (or any of its Commissioners, representatives, employees, agents or professionals) have violated, are violating or will be violating the Injunctive Relief, the Plan, or the Plan Approval Order by taking actions in the Chapter 9 Case; *provided, however*, that (i) nothing herein is an acknowledgment by any Party regarding whether any actions taken in the Chapter 9 Case have violated, are violating or will violate the Injunctive Relief, the Plan or the Plan Approval Order and (ii) nothing herein limits or otherwise impairs the ability of the Rehabilitator or FGIC to assert that the Rehabilitator's and/or FGIC's rights pursuant to the Injunctive Relief, the Plan, and the Plan Approval Order may not be altered, limited or otherwise modified by any action Jefferson County may take in the Chapter 9 Case and Jefferson County's ability to challenge any such assertion on grounds other than the Rehabilitator's and FGIC's agreement regarding the Injunctive Relief, the Plan, and the Plan Approval Order in this Paragraph 17.

18. Promptly after execution by the Parties of this Stipulation, Jefferson County agrees to withdraw the Plan Objection and the Stay Motion; *provided* that Jefferson County may

reassert the Plan Objection and/or the Stay Motion if the Plan is revised in a manner inconsistent with this Stipulation, as to which reasserted Plan Objection and/or Stay Motion the Rehabilitator waives any timeliness objection.

19. This Stipulation contains the entire agreement among the Parties as to the subject matter hereof and supersedes all prior agreements and undertakings among the Parties relating thereto.

20. This Stipulation may not be modified other than by a signed writing executed by all the Parties.

21. Each person who executes this Stipulation on behalf of a Party represents that he or she is duly authorized to do so and that each such Party has full knowledge of and has consented to this Stipulation.

22. This Stipulation, including the Revised Section 7.8 Proviso, shall become effective immediately upon execution of this Stipulation by all of the Parties.



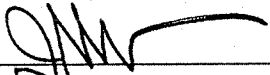
23. This Stipulation may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Evidence of execution of this Stipulation may be exchanged by fax or by electronic transmission of a scanned copy of the signature pages or by exchange of an originally signed document, each of which shall be fully binding on the Party as a signed original.

Dated: November 29, 2012  
New York, New York

Weil, Gotshal & Manges LLP

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

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Annex A

**Revised Section 7.8 Proviso**

### Revised Section 7.8 Proviso

Nothing in the Plan, including Section 7.8(a) or (c) hereof, or the Plan Approval Order<sup>[2]</sup> 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.

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<sup>2</sup> Counsel for the Rehabilitator has stated that the Rehabilitator intends to file an amended version of the Plan that provides that, with respect to periods from and after the Effective Date, the Plan Approval Order supersedes the Order to Show Cause and Rehabilitation Order. If such a provision is *not* included in the final Plan, then the Revised Section 7.8 Proviso should include “the injunctive relief in the Order to Show Cause signed by the Honorable Doris Ling-Cohan on June 11, 2012 or the Order of Rehabilitation signed by the Honorable Doris Ling-Cohan on June 28, 2012,” before “, or the Plan Approval Order”.