

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

FINANCIAL GUARANTY INSURANCE
COMPANY,

Plaintiff,

-against-

THE PUTNAM ADVISORY COMPANY, LLC,

Defendant.

12 Civ. 7372 (RWS)

ANSWER

Defendant Putnam Advisory Company, LLC (“Putnam”), by and through its counsel, answers and responds to the Second Amended Complaint filed by plaintiff Financial Guaranty Insurance Company (“FGIC”). Any allegation not expressly admitted is denied.

ANSWER NO. 1: Defendant denies the allegations as they relate to Putnam and otherwise admits that the allegations in Paragraph 1 about CDOs generally are true about some, but not all, CDOs.

ANSWER NO. 2: Defendant admits that Pyxis was marketed to investors in July 2006, admits that Pyxis’s performance depended, in part, on the performance of the underlying collateral assets, admits that Pyxis was collateralized by credit default swaps and certain cash assets, denies the allegations relating to Putnam, and otherwise lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 2.

ANSWER NO. 3: Defendant admits that Putnam was responsible for discrete portions of the Offering Memorandum, respectfully refers the Court to those portions of the Offering

Memorandum for their complete and accurate contents, and otherwise denies the allegations set forth in Paragraph 3.

ANSWER NO. 4: Defendant denies the allegations set forth in Paragraph 4.

ANSWER NO. 5: Defendant denies the allegations as they relate to Putnam and the selection of collateral assets for Pyxis and otherwise lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 5.

ANSWER NO. 6: Defendant admits that Pyxis was the first CDO for which Putnam acted as collateral manager since 2003 and otherwise denies the allegations set forth in Paragraph 6.

ANSWER NO. 7: Defendant denies the allegations set forth in Paragraph 7.

ANSWER NO. 8: Defendant admits that FGIC Credit Products LLC entered into a CDS referencing Pyxis, respectfully refers the Court to the CDS for its complete and accurate contents, denies the allegations as they relate to Putnam, and otherwise lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 8.

ANSWER NO. 9: Defendant denies the allegations set forth in Paragraph 9.

ANSWER NO. 10: Defendant denies the allegations set forth in Paragraph 10.

ANSWER NO. 11: Defendant denies the allegations set forth in Paragraph 11.

ANSWER NO. 12: Defendant admits that on or about April 30, 2008, Fitch Ratings Ltd. issued a ratings downgrade of Pyxis notes, denies the allegations as they relate to Putnam, and lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 12.

ANSWER NO. 13: Defendant denies the allegations set forth in Paragraph 13.

ANSWER NO. 14: Defendant denies the allegations set forth in Paragraph 14.

ANSWER NO. 15: Defendant admits that in October 2012 the Massachusetts Securities Division commenced an administrative proceeding against Putnam, denies the allegations as they relate to Putnam, and lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 15.

ANSWER NO. 16: Defendant admits that it was a party to *Loreley Fin. (Jersey) No. 7 Ltd. v. Credit Agricole Corporate & Inv. Bank*, No. 650673/2010 (Sup. Ct. N.Y. County June 18, 2010), which was discontinued with prejudice after the Supreme Court granted Defendant's motion to dismiss in October 2011, avers that Defendant did not pay any settlement sum in connection with the discontinuance, and otherwise denies the allegations set forth in Paragraph 16.

ANSWER NO. 17: Defendant denies the allegations set forth in Paragraph 17.

ANSWER NO. 18: Defendant denies the allegations set forth in Paragraph 18.

ANSWER NO. 19: Defendant admits that FGIC purports to assert claims for fraud, negligent misrepresentation, and negligence, and otherwise denies the allegations set forth in Paragraph 19.

ANSWER NO. 20: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 20.

ANSWER NO. 21: Defendant admits the allegations set forth in the first and second sentences of Paragraph 21, admits that it is a registered investment advisor engaged in the business of asset management, and otherwise denies the allegations set forth in Paragraph 21.

ANSWER NO. 22: Defendant states that Paragraph 22 purports to set forth legal conclusions to which no response is required.

ANSWER NO. 23: Defendant denies that it committed tortious acts and otherwise states that Paragraph 23 sets forth legal conclusions to which no response is required.

ANSWER NO. 24: Defendant denies that it has committed wrongful acts in New York state, and otherwise states that Paragraph 24 purports to set forth legal conclusions to which no response is required.

ANSWER NO. 25: Defendant denies the allegations set forth in Paragraph 25, except admits that the description of CDOs in Paragraph 25 is true of some, but not all, CDOs.

ANSWER NO. 26: Defendant denies the allegations set forth in Paragraph 26, except admits that the description of CDOs in Paragraph 26 is true of some, but not all, CDOs.

ANSWER NO. 27: Defendant denies the allegations set forth in Paragraph 27, except admits that the description of CDOs in Paragraph 27 is true of some, but not all, CDOs.

ANSWER NO. 28: Defendant denies the allegations set forth in Paragraph 28, except admits that the description of CDOs in Paragraph 28 is true of some, but not all, CDOs.

ANSWER NO. 29: Defendant admits that it was selected to be the collateral manager for Pyxis, admits that the description of a CDO in Paragraph 29 is true of some, but not all, CDOs, and otherwise lacks knowledge and information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 29.

ANSWER NO. 30: Defendant denies that Putnam made the quoted statement in the Pyxis Offering Memorandum, respectfully refers the Court to the Offering Memorandum for its complete and accurate contents, and otherwise lacks knowledge and information with respect to the remaining allegations set forth in Paragraph 30.

ANSWER NO. 31: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 31, except admits that the description of the role of collateral managers in Paragraph 31 is true of some, but not all, CDOs.

ANSWER NO. 32: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 32, except admits that the description of CDOs in Paragraph 33 is true of some, but not all, CDOs.

ANSWER NO. 33: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 33, except admits that the description of CDOs in Paragraph 33 is true of some, but not all, CDOs.

ANSWER NO. 34: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 34, except admits that the description of a CDO in Paragraph 34 is true of some, but not all, CDOs.

ANSWER NO. 35: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 35, except admits that the description of CDOs in Paragraph 35 is true of some, but not all, CDOs.

ANSWER NO. 36: Defendant denies that it engaged in a fraudulent scheme as it relates to Pyxis and otherwise lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 36.

ANSWER NO. 37: Defendant denies that it engaged in a fraudulent scheme as it relates to Pyxis and otherwise lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 37.

ANSWER NO. 38: Defendant denies the allegations as they relate to Putnam and otherwise lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 38 as they relate to CDOs other than Pyxis.

ANSWER NO. 39: Defendant denies the allegations as they relate to Putnam and otherwise lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 39.

ANSWER NO. 40: Defendant denies the allegations as they relate to Putnam and otherwise lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 40.

ANSWER NO. 41: Defendant denies the allegations as they relate to Putnam and otherwise lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 41.

ANSWER NO. 42: Defendant denies the allegations as they relate to Putnam and Pyxis and otherwise lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 42.

ANSWER NO. 43: Defendant denies the allegations as they relate to Putnam and otherwise lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 43.

ANSWER NO. 44: Defendant admits that Pyxis was a CDO with an approximately \$1.5 billion collateral portfolio consisting of cash and synthetic assets, admits that the performance of the Pyxis notes depended, in part, on the performance of the collateral assets, refers to the Offering Memorandum for a complete and accurate description of the eligibility criteria and other conditions regarding the collateral portfolio, denies the allegations to the extent that the

quoted language purports to describe language taken from the Offering Memorandum, and otherwise denies knowledge and information sufficient to form a belief as to the allegations set forth in Paragraph 44.

ANSWER NO. 45: Defendant admits that Pyxis was the credit protection seller and that Calyon was the credit protection buyer on the CDS in the Pyxis collateral pool, refers to the Offering Memorandum for a complete and accurate description of the eligibility criteria and other conditions regarding the collateral portfolio and Pyxis CDS positions, denies that material information was not disclosed to FGIC, and otherwise denies knowledge and information sufficient to form a belief as to the allegations set forth in Paragraph 45.

ANSWER NO. 46: Defendant admits that it served as the collateral manager for Pyxis and that it was entitled to receive a senior fee on performing collateral assets, respectfully refers the Court to the Collateral Management Agreement, Offering Memorandum, and Indenture for their complete and accurate terms regarding Defendant's compensation, denies that the fee was fixed or that Putnam engaged in any fraudulent conduct, and lacks knowledge or information sufficient to form a belief as to the truth of the allegations relating to CDOs other than Pyxis set forth in Paragraph 46.

ANSWER NO. 47: Defendant admits that it served as the collateral manager for Pyxis and that it was entitled to receive a senior fee on performing collateral assets, respectfully refers the Court to the Collateral Management Agreement, Offering Memorandum, and Indenture for their complete and accurate terms regarding Defendant's compensation, denies that the fee was fixed or that Putnam engaged in any fraudulent conduct, and lacks knowledge or information sufficient to form a belief as to the truth of the allegations relating to CDOs other than Pyxis set forth in Paragraph 47.

ANSWER NO. 48: Defendant admits that it received fees based on performing collateral assets, avers that it had no financial motive to select collateral assets that would not perform, respectfully refers the Court to the Pyxis Trustee Reports for their complete and accurate contents as to the fees received by Putnam, and otherwise denies the allegations set forth in Paragraph 48.

ANSWER NO. 49: Defendant admits that it received a portion of the fees that it otherwise would have received had the collateral assets performed, avers that it had no financial motive to select collateral assets that would not perform, respectfully refers the Court to the Pyxis Trustee Reports for their complete and accurate contents as to the fees received by Putnam, and otherwise denies the allegations set forth in Paragraph 49.

ANSWER NO. 50: Defendant admits that it submitted a statement in which it stated that it had been paid, as of August 23, 2011, approximately \$5,707,429 in fees for Pyxis 1.

ANSWER NO. 51: Defendant denies the allegations set forth in Paragraph 51.

ANSWER NO. 52: Defendant admits that it submitted a statement in which it stated that it had been paid, as of August 23, 2011, approximately \$3,107,627.91 in fees for Pyxis 2.

ANSWER NO. 53: Defendant admits that Deutsche Bank and Magnetar purchased Preference Shares, which had a nominal value of \$82.5 million, and that Deutsche Bank and Magnetar purchased Class X Subordinated Notes, and lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 53.

ANSWER NO. 54: Defendant admits that Pyxis had certain “triggerless” features as set forth in the Offering Memorandum and Indenture, avers that these features were known to investors, including FGIC, respectfully refers the Court to the Pyxis monthly investor reports for

their complete and accurate contents, and lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 54.

ANSWER NO. 55: Putnam lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 55.

ANSWER NO. 56: Defendant admits that in September 2006 Putnam and Calyon engaged in an email exchange regarding a CDS trade, respectfully refers the Court to that email exchange for its complete and accurate contents, and lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 56.

ANSWER NO. 57: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 57.

ANSWER NO. 58: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 58.

ANSWER NO. 59: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 59.

ANSWER NO. 60: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 60.

ANSWER NO. 61: Defendant denies the allegations as they relate to Putnam and lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 61.

ANSWER NO. 62: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 62.

ANSWER NO. 63: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 63.

ANSWER NO. 64: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in paragraph 64.

ANSWER NO. 65: Defendant avers that it selected the collateral assets in conformity with the terms and conditions of the Offering Memorandum and Indenture, admits that it participated in communications with FGIC that it would perform its role as collateral manager in conformity with the terms and conditions of the Offering Memorandum and Indenture, denies the allegations relating to FGIC's reliance on Putnam, and lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 65.

ANSWER NO. 66: Defendant admits that the quoted language appears in the July 14, 2006 email sent by Calyon to potential investors, respectfully refers the Court to that email for its complete and accurate contents, and denies the remaining allegations set forth in Paragraph 66.

ANSWER NO. 67: Defendant admits that the quoted language appears in the July 14, 2006 email sent by Calyon to potential investors, respectfully refers the Court to that email for its complete and accurate contents, and lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 67.

ANSWER NO. 68: Defendant admits that the Investor Presentation referenced Putnam's collateral management role, respectfully refers the Court to the Investor Presentation for its complete and accurate contents, and otherwise denies the allegations set forth in Paragraph 68.

ANSWER NO. 69: Defendant admits that quoted language appears in the Investor Presentation, respectfully refers the Court to the Investor Presentation for its complete and accurate contents, and otherwise denies the allegations set forth in Paragraph 69.

ANSWER NO. 70: Defendant admits that the quoted language appears in the Investor Presentation, respectfully refers the Court to the Investor Presentation for its complete and accurate contents, and otherwise denies the allegations set forth in Paragraph 70.

ANSWER NO. 71: Defendant admits that the quoted language appears in the Investor Presentation, respectfully refers the Court to the Investor Presentation for its complete and accurate contents, and otherwise denies the allegations set forth in Paragraph 71.

ANSWER NO. 72: Defendant admits that the description of Prime RMBS, Mid-Prime RMBS and Subprime RMBS is accurate as to some RMBS, and denies the allegations as they relate to Putnam.

ANSWER NO. 73: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 73.

ANSWER NO. 74: Defendant admits that in July 2006 Calyon and Putnam participated in email correspondence regarding Pyxis, refers the Court to that email correspondence for its complete and accurate contents, and otherwise lacks knowledge and information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 74.

ANSWER NO. 75: Defendant admits that a preliminary July 25, 2006 portfolio showed a small allocation of prime RMBS assets, and otherwise denies the allegations set forth in Paragraph 75.

ANSWER NO. 76: Defendant admits that in or about August 2006, FGIC personnel met with Putnam representatives at Putnam's offices in Boston, admits that prior to the meeting, FGIC sent Putnam a list of topics, respectfully refers the Court to that list for its complete and accurate contents, and otherwise denies the allegations set forth in Paragraph 76.

ANSWER NO. 77: Defendant admits that on or about August 3, 2006, Putnam representatives met with FGIC employees, admits that the parties generally discussed Putnam's collateral management experience, abilities, practices and strategies, and denies the remaining allegations set forth in Paragraph 77.

ANSWER NO. 78: Defendant admits that on or about August 7, 2006, Putnam representatives participated in a telephone call with FGIC employees, admits that the parties generally discussed Putnam's collateral management experience, abilities, practices and strategies, and denies the remaining allegations set forth in Paragraph 78.

ANSWER NO. 79: Defendant admits that a preliminary August 9, 2006 portfolio showed a small allocation of prime RMBS, admits that the final portfolio did not include prime RMBS, and otherwise denies the allegations set forth in Paragraph 79.

ANSWER NO. 80: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 80.

ANSWER NO. 81: Defendant denies the allegations set forth in Paragraph 81.

ANSWER NO. 82: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations asserted in Paragraph 82.

ANSWER NO. 83: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 83.

ANSWER NO. 84: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 84.

ANSWER NO. 85: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 85.

ANSWER NO. 86: Defendant admits that the quoted language appears in the Offering Memorandum, respectfully refers the Court to the Offering Memorandum for its complete and accurate contents, and denies the remaining allegations set forth in Paragraph 86.

ANSWER NO. 87: Defendant avers that the quoted language appears in the Collateral Management Agreement, respectfully refers the Court to the agreement for its complete and accurate terms, and denies the remaining allegations set forth in Paragraph 87.

ANSWER NO. 88: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 88.

ANSWER NO. 89: Defendant denies the allegations set forth in Paragraph 89.

ANSWER NO. 90: Defendant admits that Carl Bell worked on Pyxis, admits that James Prusko was a former Putnam employee, denies the remaining allegations as they relate to Putnam, and lacks knowledge or information sufficient to form a belief as to the truth of the allegations regarding CDOs other than Pyxis set forth in Paragraph 90.

ANSWER NO. 91: Defendant admits that certain emails were attached to pleadings filed in the *Loreley* litigation and that the MSD administrative complaint purported to quote from email communications and testimony, respectfully refers to those documents and testimony for their complete and accurate contents, and otherwise denies the allegations set forth in Paragraph 91.

ANSWER NO. 92: Defendant admits that Putnam and Magnetar had communications relating to the formation of Pyxis, admits that Carl Bell gave testimony in connection with an administrative proceeding before the MSD, respectfully refers the Court to that testimony for its complete and accurate contents, and otherwise denies the allegations set forth in Paragraph 92.

ANSWER NO. 93: Defendant admits that in May 2006, Putnam participated in an email exchange with Calyon, Magnetar, and Deutsche Bank regarding Pyxis, denies that Putnam was copied on the email quoted in Paragraph 93, respectfully refers the Court to the entire email exchange for its complete and accurate contents, and otherwise denies the allegations set forth in Paragraph 93.

ANSWER NO. 94: Defendant admits that Putnam and Magnetar had communications relating to the formation of Pyxis, admits that Carl Bell gave testimony in connection with an administrative proceeding before the Massachusetts Securities Division, respectfully refers the Court to that testimony and to the email exchanges between Putnam and Magnetar for their complete and accurate contents, and otherwise denies the allegations set forth in Paragraph 94.

ANSWER NO. 95: Defendant admits that Putnam and Magnetar had communications relating to the formation of Pyxis, admits that Carl Bell gave testimony in connection with an administrative proceeding before the Massachusetts Securities Division, respectfully refers the Court to that testimony and to the email exchanges between Putnam and Magnetar for their complete and accurate contents, lacks knowledge and information sufficient to form a belief as to the truth of allegations regarding email communications on which Putnam did not participate, and otherwise denies the remaining allegations set forth in Paragraph 95.

ANSWER NO. 96: Defendant admits that in June 2006, Putnam and Magnetar exchanged emails regarding Pyxis, respectfully refers the Court to those emails for their complete and accurate contents, and otherwise denies the remaining allegations set forth in Paragraph 96.

ANSWER NO. 97: Defendant admits that in early July 2006 Putnam and Magnetar exchanged emails regarding Pyxis, respectfully refers the Court to those emails for their

complete and accurate contents, and otherwise denies the remaining allegations set forth in Paragraph 97.

ANSWER NO. 98: Defendant admits that in July 2006 Putnam and Magnetar exchanged emails regarding Pyxis, respectfully refers the Court to those emails for their complete and accurate contents, and otherwise denies the remaining allegations set forth in Paragraph 98.

ANSWER NO. 99: Defendant admits that Putnam and Magnetar had communications relating to Pyxis, and otherwise denies the allegations set forth in Paragraph 99.

ANSWER NO. 100: Defendant admits that in August 2006, Putnam, Calyon, Magnetar, and Deutsche Bank exchanged emails regarding Pyxis, respectfully refers the Court to those emails for their complete and accurate contents, and otherwise denies the remaining allegations set forth in Paragraph 100.

ANSWER NO. 101: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 101.

ANSWER NO. 102: Defendant admits that on or about August 10, 2006, Putnam and Magnetar exchanged emails regarding Pyxis, respectfully refers the Court to those emails for their complete and accurate contents, and otherwise denies the remaining allegations set forth in Paragraph 102.

ANSWER NO. 103: Defendant admits that in mid-August 2006, Putnam and Magnetar exchanged emails regarding Pyxis, respectfully refers the Court to those emails for their complete and accurate contents, and otherwise denies the remaining allegations set forth in Paragraph 103.

ANSWER NO. 104: Defendant admits that on or about August 29, 2006, Putnam and Magnetar exchanged emails regarding Pyxis, respectfully refers the Court to those emails for

their complete and accurate contents, and otherwise denies the remaining allegations set forth in Paragraph 104.

ANSWER NO. 105: Defendant admits that on or about September 5, 2006, Putnam, Calyon and Magnetar exchanged emails regarding Pyxis, respectfully refers the Court to those emails for their complete and accurate contents, and otherwise denies the remaining allegations set forth in Paragraph 105.

ANSWER NO. 106: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 106.

ANSWER NO. 107: Defendant admits that in September 2006, Putnam and Magnetar exchanged emails regarding Pyxis, admits that the quoted language appears in the email chain, respectfully refers the Court to those emails for their complete and accurate contents, and otherwise denies the remaining allegations set forth in Paragraph 107.

ANSWER NO. 108: Defendant admits that in September 2006, Putnam and Calyon exchanged emails regarding Pyxis, admits that the quoted language appears in the email chain, respectfully refers the Court to those emails for their complete and accurate contents, and otherwise denies the remaining allegations set forth in Paragraph 108.

ANSWER NO. 109: Defendant admits that the trade ticket referenced in Paragraph 108 reflected a CDS trade amount that did not correspond to a trade in the Pyxis Portfolio contained in Schedule A to the Pyxis Indenture, dated October 3, 2006, and otherwise denies the allegations set forth in Paragraph 109.

ANSWER NO. 110: Defendant denies the allegations as they relate to Putnam and lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations of Paragraph 110.

ANSWER NO. 111: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 111.

ANSWER NO. 112: Defendant denies the allegations set forth in Paragraph 112.

ANSWER NO. 113: Defendant admits that the stated quotes appear in an email chain between employees from Defendant and Calyon, respectfully refers the Court to that email chain for its complete and accurate contents, and otherwise denies the allegations set forth in Paragraph 113.

ANSWER NO. 114: Defendant admits that the stated quotes appear in an email chain between employees from Defendant and FGIC, respectfully refers the Court to that email chain for its complete and accurate contents, and otherwise denies the allegations set forth in Paragraph 114.

ANSWER NO. 115: Defendant admits that the stated quotes appear in separate email chains between employees from Defendant and Magnetar, respectfully refers the Court to those email chains for their complete and accurate contents, and otherwise denies the allegations set forth in Paragraph 115.

ANSWER NO. 116: Defendant denies the allegations set forth in Paragraph 116.

ANSWER NO. 117: Defendant admits that a small portion of the Pyxis collateral pool included notes issued by other CDOs, lacks knowledge or information sufficient to form a belief as to the truth of the allegations concerning other CDOs, and otherwise denies the allegations set forth in Paragraph 117.

ANSWER NO. 118: Defendant denies the allegations as they relate to Putnam, and otherwise lacks knowledge or information sufficient to form a belief as to the truth of the allegations relating to CDOs other than Pyxis set forth in Paragraph 118.

ANSWER NO. 119: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 119.

ANSWER NO. 120: Defendant denies the allegations as they relate to Pyxis, and otherwise lacks knowledge or information sufficient to form a belief as to the truth of the allegations relating to other CDOs set forth in Paragraph 120.

ANSWER NO. 121: Defendant denies the allegations as they relate to Putnam, and otherwise lacks knowledge or information sufficient to form a belief as to the truth of the allegations relating to CDOs other than Pyxis set forth in Paragraph 121.

ANSWER NO. 122: Defendant denies the allegations to the extent they suggest that Putnam engaged in fraudulent conduct, and otherwise lacks knowledge or information sufficient to form a belief as to the truth of the allegations relating to other CDOs set forth in Paragraph 122.

ANSWER NO. 123: Defendant admits that the ABX Index is a benchmark created by an independent financial information company called Markit, and otherwise denies the allegations set forth in Paragraph 123.

ANSWER NO. 124: Defendant respectfully refers the Court to the February 6, 2007 Trustee Report for its complete and accurate contents, denies the allegations as they relate to Putnam, and lacks knowledge or information sufficient to form a belief as to the truth of the allegations concerning CDOs other than Pyxis set forth in Paragraph 124.

ANSWER NO. 125: Defendant denies the allegations as they relate to Putnam, and lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations of Paragraph 125.

ANSWER NO. 126: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 126.

ANSWER NO. 127: Defendant admits that certain preliminary portfolios reflected an allocation of a small percentage of prime RMBS assets in the collateral pool, and otherwise denies the allegations set forth in Paragraph 127.

ANSWER NO. 128: Defendant denies the allegations set forth in Paragraph 128.

ANSWER NO. 129: Defendant denies the allegations as they relate to Putnam and Pyxis and otherwise lacks knowledge and information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 129.

ANSWER NO. 130: Defendant denies the allegations as they relate to Putnam and Pyxis and otherwise lacks knowledge and information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 130.

ANSWER NO. 131: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 131.

ANSWER NO. 132: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 132.

ANSWER NO. 133: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 133.

ANSWER NO. 134: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 134.

ANSWER NO. 135: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 135.

ANSWER NO. 136: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 136.

ANSWER NO. 137: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 137.

ANSWER NO. 138: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 138.

ANSWER NO. 139: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 139.

ANSWER NO. 140: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 140.

ANSWER NO. 141: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 141.

ANSWER NO. 142: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 142.

ANSWER NO. 143: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 143.

ANSWER NO. 144: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 144.

ANSWER NO. 145: Defendant admits that Deutsche Bank was a co-equity investor with respect to Pyxis, denies the allegations as they relate to Putnam and Pyxis, and otherwise lacks knowledge and information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 145.

ANSWER NO. 146: Defendant admits that on October 17, 2012, the Commonwealth of Massachusetts filed an administrative complaint against Putnam, and otherwise denies the allegations set forth in Paragraph 146.

ANSWER NO. 147: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 147.

ANSWER NO. 148: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 148.

ANSWER NO. 149: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 149.

ANSWER NO. 150: Defendant lacks knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 150.

ANSWER NO. 151: Defendant admits that it served as collateral manager for Pyxis 1 and Pyxis 2, for which it received fees dependent on the performance of the underlying collateral assets, and otherwise denies the remaining allegations set forth in Paragraph 151.

ANSWER NO. 152: Defendant admits that on or about April 30, 2008 Fitch Ratings Ltd. downgraded certain notes issued by Pyxis, and otherwise lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 152.

ANSWER NO. 153: Defendant denies the allegations set forth in Paragraph 153.

ANSWER NO. 154: Defendant denies the allegations set forth in Paragraph 154.

ANSWER NO. 155: Defendant denies the allegations set forth in Paragraph 155.

ANSWER NO. 156: Defendant denies the allegations as they relate to Putnam and Pyxis and otherwise lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 156.

ANSWER NO. 157: Defendant denies the allegations set forth in Paragraph 157.

ANSWER NO. 158: Defendant denies the allegations as they relate to Putnam and Pyxis and otherwise lacks knowledge or information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 158.

ANSWER NO. 159: Defendant admits that certain Pyxis collateral assets defaulted before March 2009, and otherwise denies the allegations set forth in Paragraph 159.

ANSWER NO. 160: Defendant admits that certain Pyxis collateral assets defaulted prior to February 2008, and otherwise denies the allegations set forth in Paragraph 160.

ANSWER NO. 161: Defendant denies the allegations set forth in Paragraph 161.

ANSWER NO. 162: Defendant repeats and realleges its answers set forth above as though fully set forth herein.

ANSWER NO. 163: Defendant admits that FGIC purports to assert a claim for fraud against Putnam and otherwise denies the allegations set forth in Paragraph 163.

ANSWER NO. 164: Defendant denies the allegations set forth in Paragraph 164.

ANSWER NO. 165: Defendant denies the allegations set forth in Paragraph 165.

ANSWER NO. 166: Defendant denies the allegations set forth in Paragraph 166.

ANSWER NO. 167: Defendant denies the allegations set forth in Paragraph 167.

ANSWER NO. 168: Defendant denies the allegations set forth in Paragraph 168.

ANSWER NO. 169: Defendant denies the allegations set forth in Paragraph 169.

ANSWER NO. 170: Defendant denies the allegations set forth in Paragraph 170.

ANSWER NO. 171: Defendant denies the allegations set forth in Paragraph 171.

ANSWER NO. 172: Defendant states that Paragraph 172 purports to assert legal conclusions to which no response is required.

ANSWER NO. 173: Defendant repeats and realleges its answers set forth above as though fully set forth herein.

ANSWER NO. 174: Defendant admits that FGIC purports to assert a claim for negligent misrepresentation against Putnam and otherwise denies the allegations set forth in Paragraph 174.

ANSWER NO. 175: Defendant admits that it is a highly-skilled asset manager with extensive expertise in collateral management, denies that it “boasted” about its experience, and otherwise refers to the statements of its qualifications in the Offering Memorandum for its complete and accurate contents.

ANSWER NO. 176: Defendant admits that it was retained as collateral manager for Pyxis and that it had professional expertise in managing collateral assets for vehicles similar to Pyxis, and otherwise denies the remaining allegations set forth in Paragraph 176.

ANSWER NO. 177: Defendant admits that it had discretion to select assets for the Pyxis collateral portfolio subject to eligibility criteria and other conditions set forth in the Offering Memorandum and other documents, and otherwise denies the allegations set forth in Paragraph 177.

ANSWER NO. 178: Defendant denies the allegations set forth in Paragraph 178.

ANSWER NO. 179: Defendant admits that certain Putnam employees met and spoke with representatives of FGIC about Pyxis and otherwise denies the allegations set forth in Paragraph 179.

ANSWER NO. 180: Defendant denies the allegations set forth in Paragraph 180 and respectfully refers the Court to (i) the Investor Presentation; (ii) the Offering Memorandum; (iii)

the Term Sheet; and (iv) the Collateral Management Agreement for their complete and accurate contents.

ANSWER NO. 181: Defendant denies the allegations set forth in Paragraph 181.

ANSWER NO. 182: Defendant denies the allegations set forth in Paragraph 182.

ANSWER NO. 183: Defendant denies the allegations set forth in Paragraph 183.

ANSWER NO. 184: Defendant denies the allegations set forth in Paragraph 184.

ANSWER NO. 185: Defendant denies the allegations set forth in Paragraph 185.

ANSWER NO. 186: Defendant denies the allegations set forth in Paragraph 186.

ANSWER NO. 187: Defendant states that Paragraph 187 purports to assert legal conclusions to which no response is required.

ANSWER NO. 188: Defendant repeats and realleges its answers set forth above as though fully set forth herein.

ANSWER NO. 189: Defendant admits that FGIC purports to assert a claim for negligence and otherwise denies the allegations set forth in Paragraph 189.

ANSWER NO. 190: Defendant denies the allegations set forth in Paragraph 190.

ANSWER NO. 191: Defendant denies the allegations set forth in Paragraph 191.

ANSWER NO. 192: Defendant denies the allegations set forth in Paragraph 192.

ANSWER NO. 193: Defendant denies the allegations set forth in Paragraph 193.

ANSWER NO. 194: Defendant denies the allegations set forth in Paragraph 194.

ANSWER NO. 195: Defendant states that Paragraph 195 purports to assert legal conclusions to which no response is required.

IN ANSWER TO PLAINTIFF'S PRAYER FOR RELIEF: Defendant denies that FGIC is entitled to any relief or to a judgment in its favor.

AFFIRMATIVE DEFENSES

In asserting the following affirmative defenses to FGIC's claims, Defendant does not concede that the assertion of such defenses imposes any burden of proof on Defendant with respect thereto.

FIRST AFFIRMATIVE DEFENSE

FGIC's claims are barred, in whole or in part, because the Second Amended Complaint fails to state a claim upon which relief can be granted.

SECOND AFFIRMATIVE DEFENSE

FGIC's claims are barred, in whole or in part, because FGIC was a sophisticated party and knew, or should have known, of the facts that were the subject of the purported misstatements or omissions alleged by FGIC.

THIRD AFFIRMATIVE DEFENSE

FGIC's claims are barred, in whole or in part, because Defendant did not act with scienter or fraudulent intent.

FOURTH AFFIRMATIVE DEFENSE

FGIC's claims are barred, in whole or in part, because certain purportedly material information alleged to have been omitted from the Pyxis offering documents was a matter of public knowledge.

FIFTH AFFIRMATIVE DEFENSE

FGIC's claims are barred, in whole or in part, because FGIC did not rely on any alleged misstatements or omissions of Defendant or, in the alternative, because any such reliance was unreasonable.

SIXTH AFFIRMATIVE DEFENSE

FGIC's claims are barred, in whole or in part, because the alleged misrepresentations are non-actionable statements that contain expressions of opinion that FGIC has not alleged, and cannot prove, were not truly held.

SEVENTH AFFIRMATIVE DEFENSE

FGIC's claims are barred, in whole or in part, because any damages FGIC suffered were caused by persons and events outside the control of Defendant, which were intervening or superseding causes of FGIC's alleged loss.

EIGHTH AFFIRMATIVE DEFENSE

FGIC's claims against Defendant are barred, in whole or in part, because FGIC knowingly assumed the investment risks associated with its Pyxis guaranty, which risks were adequately disclosed in the Pyxis offering documents.

NINTH AFFIRMATIVE DEFENSE

FGIC's claims are barred, in whole or in part, because Defendant had no duty to disclose the allegedly omitted information.

TENTH AFFIRMATIVE DEFENSE

FGIC's claims are barred, in whole or in part, by the doctrine of waiver.

ELEVENTH AFFIRMATIVE DEFENSE

FGIC is not entitled to equitable relief because it has an adequate remedy at law.

TWELFTH AFFIRMATIVE DEFENSE

FGIC is not entitled to punitive damages because Defendant has not acted with intentional, reckless or wanton conduct.

WHEREFORE, Defendant hereby reserves and asserts all defenses and affirmative defenses available under any applicable federal, state, or foreign law. Defendant presently has insufficient knowledge or information upon which to form a belief as to whether it may have available other, as yet unstated, defenses or affirmative defenses. Therefore, Defendant reserves its right to assert any additional defenses or affirmative defense that discovery indicates may be appropriate. Defendant reserves the right to amend or to seek to amend its answer and/or affirmative defenses.

WHEREFORE, Defendant requests judgment dismissing the Second Amended Complaint and denying any and all relief sought by FGIC, and awarding to Defendant its costs and expenses of this action, including reasonable attorneys' fees as provided by law.

Dated: New York, New York
May 18, 2015

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