EXHIBIT 1C[1]

Amended Omnibus Response Chart[2]

TABLE OF CONTENTS

[1] Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Amended Omnibus Reply Memorandum of Law in Further Support of Approval of First Amended Plan of Rehabilitation for Financial Guaranty Insurance Company (the "**Reply Brief**").

[2] This amended version of the Omnibus Response Chart is being submitted pursuant to the Court's order, dated January 28, 2013, to reflect only those objections that remain unresolved as of February 11, 2013.

1. **Objection of BNY**	
Objection	Response
BNY objects as follows:	
(a) Sections 3.5 and 7.8 of the Plan deny certificate holders their contractual control rights in the transaction documents and neither the Court nor the Rehabilitator has the authority under the NYIL to re-write contracts or exercise jurisdiction over third parties' assets;	(a) The objection should be overruled. *See supra* Reply Brief §§ I, II, III.
(b) Sections 3.5 and 7.8 of the Plan are unfair and inequitable and an abuse of the Rehabilitator's discretion to the extent they grant FGIC the right to recover funds that were previously distributed, or will in the future be distributed, to third parties by the trusts based on FGIC's default;	(b) To address this concern, the Rehabilitator has revised Section 1.4(A) of the Restructured Policy Terms to provide that if a FGIC Payment was withheld, offset, or distributed to persons other than FGIC prior to the date of the Order of Rehabilitation in accordance with the terms of a policy or related transaction document, then FGIC's exclusive remedy with respect to such FGIC Payment shall be to reduce cash payments that would otherwise be payable by FGIC in respect of that policy. *See* Plan, Restructured Policy Terms § 1.4(A), Exs. B & B-1 to Index.[3]
(c) Termination of FGIC's consent rights are not unenforceable *ipso facto* clauses because clauses that trigger a remedy upon a payment default are not *ipso facto* clauses;	(c) The objection should be overruled. *See supra* Reply Brief § II.
(d) There is no basis to conclude that FGIC would be a better advocate in exercising control rights than security holders themselves because it is the holders' assets, and not FGIC's, that are at risk;	(d) The objection should be overruled. *See supra* Reply Brief § III.
(e) Section 7.8(c) violates claim holders' common law, statutory and contractual rights to setoff and recoupment;	(e) The objection should be overruled. *See supra* Reply Brief § II.B.
(f) Section 7.8(c) violates the "best interest of creditors" test because policyholders would have had a right to setoff and recoupment had	(f) Assuming policyholders would retain a right to setoff and recoupment in a liquidation, the Plan still provides policyholders with

[3] References herein to "Index" are to the Index of Plan Related Documents, filed on December 12, 2012.

1. **Objection of BNY**	
FGIC been liquidated;	significantly greater recoveries than they would receive in a liquidation of FGIC. *See* Lazard Aff. ¶¶ 27, 28 (assuming policyholders would be able to setoff premium payments against policy claim payments owed by FGIC, policyholders would receive only approximately 7% – 14% in a liquidation compared to 27% – 30% under the Plan, in each case using a discount rate of 20% and 10%, respectively).
(g) The proposed reductions to cash payments to be made to the trustee as policyholder presented in the Preliminary Analysis of FGIC Payments Not Paid to FGIC (included in the Plan Supplement update filed on November 14, 2012) deprive the trustee of its common law recoupment and setoff rights and vary the terms of the transactions documents with respect to those transactions;	(g) The objection should be overruled. *See supra* Reply Brief § II.B.
(h) Section 7.5(b) of the Plan is unfair and inequitable because it compels the trustees to act without any assurance that FGIC could satisfy its indemnification – at a minimum, the Plan should be modified to provide that all administrative expense claims for indemnification should be paid in full in the ordinary course regardless of when such claims arose;	(h) To address this concern, the Rehabilitator has revised the Plan to clarify that claims arising on or after the date of the Order of Rehabilitation that constitute claims for indemnification pursuant to Section 7.5(b) constitute administrative expense claims. In addition, the last sentence of Section 7.5(b) has been revised to provide that the indemnity set forth therein shall only be deemed sufficient for all purposes as long as FGIC has at least $100 million of Admitted Assets. *See* Plan §§ 4.2(B), 7.5(b), Exs. B & B-1 to Index. This compromise is reasonable, given the significant asset threshold proposed, the amount of cash FGIC currently holds and the fact that indemnification claims have administrative expense priority.
(i) Section 3.5 should not be given effect to determine the priority of any distributions under the transaction documents;	(i) The objection should be overruled. *See supra* Reply Brief §§ I, II.A.
(j) Section 3.7(b) should be modified to indicate that a trustee shall not be required to follow any direction issued pursuant to Section 3.7(b) unless and until it receives an indemnification from FGIC pursuant to Section 7.5(b) that such trustee, in its sole discretion, deems reasonably satisfactory;	(j) To address this concern, Section 3.7(b) has been revised to provide that a Trustee shall only be required to follow a direction issued pursuant to Section 3.7(b) if FGIC meets the indemnification qualifications described in the last sentence of Section 7.5(b) (as revised) or FGIC otherwise provides an indemnification to such trustee meeting any applicable requirement under any provisions of a contract

1. **Objection of BNY**	
	or transaction document that mandate that the trustee be provided with an indemnity. *See* Plan § 3.7(b), Exs. B & B-1 to Index.
(k) Section 4.6 of the Plan unfairly places the burden on the holders of claims to challenge FGIC's claim determinations and improperly imposes the payment of attorneys' fees on the non-prevailing party;	(k) To address this concern, the Rehabilitator has revised Section 4.6 of the Plan to provide that any objection to a claim must include a reasonable summary of the bases for the objection, the holder of the claim shall have 60 (instead of 45) days to respond to such objection and the claim holder shall have 90 (instead of 60) days to challenge FGIC's claim determination in court. *See* Plan § 4.6, Exs. B & B-1 to Index. The Rehabilitator has determined, in his discretion, that including the provision for payment of fees by the non-prevailing party is necessary to deter unnecessary and costly litigation of non-meritorious or frivolous claims that may be brought by either FGIC or claim holders.
(l) Section 4.9 of the Plan improperly grants FGIC setoff rights while denying policyholders their setoff rights – the Plan should provide for similar treatment of rights to setoff; and	(l) The objection should be overruled. *See supra* Reply Brief § II.B.
(m) If the Court recognizes FGIC's right to setoff under Section 1.4(A) of the Restructured Policy Terms, the Plan should require the Court to determine the validity of FGIC's claim (through a procedure similar to the Section 4.6 treatment of disputed claims) prior to the exercise of setoff, and FGIC should be required to setoff against the permitted claim amount, not the cash payment amount.	(m) If FGIC is forced to undergo a claims reconciliation process to determine the validity of FGIC's claims prior to exercising setoff, there is a significant risk that, during the pendency of such process, cash distributions would be made, a portion of which may have to be clawed back in the event it was ultimately determined that FGIC has a valid setoff right and, therefore, should have reduced such distributions. This is impractical and not feasible. Section 1.4(A) of the Restructured Policy Terms imposes a good faith requirement on FGIC in making its determination to exercise setoff. To the extent that parties believe FGIC does so improperly at any point, such parties may contest FGIC's compliance with the Plan. If, pursuant to any such challenge, it is determined that FGIC unreasonably withheld funds, FGIC can then correct the matter by making an additional distribution. This is the fairest, most efficient means to avoid any further delay in delivering payments to policyholders.

2. **Objection of Deutsche Bank**	
Objection	Response
Deutsche Bank objects as follows:	
(a) The Plan revokes trustees' setoff and recoupment rights in violation of New York common law and Section 7427 of the NYIL;	(a) The objection should be overruled. *See supra* Reply Brief § II.B.
(b) Provisions in the transaction documents that revert control rights to trust investors upon a FGIC default do not constitute unenforceable *ipso facto* provisions because they do not modify FGIC's rights on account of its insolvency or the commencement of an Article 74 proceeding, but instead condition FGIC's exercise of control rights on full performance of its obligations under its policies;	(b) The objection should be overruled. *See supra* Reply Brief § II, III.
(c) Section 3.7 of the Plan impermissibly rewrites provisions in the transaction documents governing enforcement of loan repurchase obligations by imposing on the trustees and certificate holders significant additional notice and reporting obligations, while conferring upon FGIC rights to which it is not entitled;	(c) The objection should be overruled. *See supra* Reply Brief §§ I, III.
(d) The Plan unfairly limits trustees' indemnification rights by forcing the trustees to accept a determination that the Plan's indemnification satisfies for all purposes any requirement in the transaction documents that the trustees be provided with "adequate," "sufficient," "reasonable," or "acceptable" indemnity;	(d) *See supra* Response[4] to Obj. of BNY (h).
(e) The Plan unfairly limits trustees' indemnification rights by providing that trustees can only seek indemnity from FGIC to the extent that the trusts are not able to provide sufficient indemnity; and	(e) To address this concern, the Rehabilitator has removed the requirement that trustees seek reimbursement pursuant to the transaction documents before seeking indemnification from FGIC. *See*

[4] References to "Response" are to the responses set forth in this chart.

2. **Objection of Deutsche Bank**	
	Plan § 7.5(b), Exs. B & B-1 to Index.
(f) The Rehabilitator has no authority to unilaterally rewrite FGIC's insurance policies or the underlying transaction documents to which FGIC is not a party.	(f) The objection should be overruled. *See supra* Reply Brief § I.

3. **Objection of U.S. Bank**	
Objection	Response
U.S. Bank objects as follows:	
(a) Sections 3.5 and 7.8(c) of the Plan revoke trustees' setoff rights in violation of Section 7427 of the NYIL and common law;	(a) The objection should be overruled. *See supra* Reply Brief § II.B.
(b) There is no business justification for allowing FGIC to exercise control rights pursuant to Sections 3.5 and 7.8(e) of the Plan when it has defaulted on its obligations;	(b) The objection should be overruled. *See supra* Reply Brief § III.
(c) Since trustees will have obligations pursuant to the Plan that extend beyond the original terms of the trust, Section 7.5(b) of the Plan, which provides that FGIC bears related costs to the extent funds under the trusts are insufficient, should be modified to provide that FGIC will compensate and reimburse the trustees for all actions taken as a result of the Rehabilitation as an administrative expense; and	(c) *See supra* Response to Obj. of BNY (h); Response to Obj. of Deutsche Bank (e).
(d) The portions of Section 7.5(b) of the Plan that permit FGIC to assume U.S. Bank's defense and deem FGIC's indemnity adequate for all purposes should be stricken because the Plan should not alter the trustees' contractual indemnification rights.	(d) The Rehabilitator has determined that it is important and reasonable that FGIC be able to assume the defense of any legal proceeding against an indemnified trustee that may result in a loss for which FGIC would be obligated to provide indemnification. However, to address U.S. Bank's concerns, the Rehabilitator has revised Section 7.5(b) to provide

3. **Objection of U.S. Bank**	
	certain limitations on FGIC's ability to settle any action for which it assumes the defense (and, to the extent it does not, the trustee's ability to settle is similarly limited). In addition, the Rehabilitator has made certain other changes to limit the indemnification provision, as described in the Response to BNY's objection and Response to Deutsche Bank's objection above. *See* Plan § 7.5(b), Exs. B & B-1 to Index; *supra* Response to Obj. of BNY (h), (j); Response to Obj. of Deutsche Bank (e).

4. **Objection of Wells Fargo**	
Objection	Response
Wells Fargo objects as follows:	
(a) Sections 3.5 and 7.8(e) of the Plan, which permit FGIC to retain control rights in contravention of the terms of transaction documents, secure rights for FGIC that it did not bargain for, to the detriment of certificate holders, and impermissibly amend the terms of documents to which FGIC is not a party;	(a) The objection should be overruled. *See supra* Reply Brief §§ I, III.
(b) The Rehabilitator has failed to demonstrate that Sections 3.5 and 7.8(e) are necessary to the effective rehabilitation of FGIC;	(b) The objection should be overruled. *See supra* Reply Brief § I, II, III.
(c) Section 4.6 should be revised to remove the prevailing party's entitlement to recover reasonable attorneys' fees and costs from the other party;	(c) *See supra* Response to Obj. of BNY (k).
(d) Section 7.5(b) should be modified to remove FGIC's ability to elect to assume the defense of a legal proceeding against an indemnified trustee; and	(d) *See supra* Response to Obj. of U.S. Bank (d).

4. **Objection of Wells Fargo**	
(e) The last sentence of Section 7.5(b) should be stricken because it arbitrarily limits a trustee's indemnification rights by denying the trustee its right to consider the sufficiency of the indemnification being offered.	(e) *See supra* Response to Obj. of BNY (h).

5. **Objection of JeffCo Holders**	
Objection	Response
JeffCo Holders object as follows:	
(a) The Rehabilitator does not have authority and the Court does not have jurisdiction to amend the terms of the underlying warrant indenture to deem FGIC not to have defaulted under the Jefferson County insurance policies and enjoin the JeffCo Holders from exercising control rights (pursuant to Sections 3.5 and 7.8 of the Plan).	(a) The objection should be overruled. *See supra* Reply Brief § I.
(b) Clauses providing for the transfer of control rights and/or the termination of FGIC's consent rights do not constitute unenforceable *ipso facto* clauses under section 365(e)(1) of the Bankruptcy Code and, therefore, the Rehabilitator's justification for restoring FGIC's control rights lacks merit;	(b) The objection should be overruled. *See supra* Reply Brief § I, III.
(c) The Rehabilitator's argument that Sections 3.5 and 7.8(e) of the Plan are necessary to prevent holders who purchased insured bonds at a discount from taking action with respect to underlying collateral in order to obtain a quick and certain recovery is "unsupported and irrational" – the JeffCo Holders are better positioned and more motivated than FGIC to obtain a favorable treatment of the sewer warrants in Jefferson County's bankruptcy case;	(c) The objection should be overruled. *See supra* Reply Brief § III.

5. **Objection of JeffCo Holders**	
(d) FGIC's retention of control rights constitutes an unlawful taking under the Fifth and Fourteenth Amendments to the United States Constitution and Article 1, Sections 6 and 7 of the New York Constitution because the Plan neither accomplishes a valid public use nor compensates the JeffCo Holders for the taking of their contract rights;	(d) FGIC's retention of control rights and entitlement to receive premiums and reimbursements is not an unconstitutional taking of the JeffCo Holders' property. As explained in greater detail in Section I.A of the Reply Brief, the Rehabilitator has substantial authority when acting in accordance with Section 7403(a) of the NYIL because, in doing so, he is exercising "an aspect of the police powers of the state." *Minor v. Stephens*, 898 S.W.2d 71, 78, 80 (Ky. 1995). "[The] due process clause does not restrict the state's reasonable exercise of its police power in furtherance of the public interest, even though such laws may interfere with contractual relations and commercial freedoms of private parties." *Id. citing Warschauer Sick Support Society v. State of N.Y.*, 754 F.Supp.305 (E.D.N.Y. 1991); *see also Carpenter v. Pacific Mutual Life Ins. Co.*, 10 Cal.2d 307, 331, 74 P.2d 761, 776 (1937), *aff'd sub nom. Neblett v. Carpenter*, 305 U.S. 297 (1938) (noting that the contract and due process clauses of the Constitution "do not apply to the state acting under its police powers"). The only restriction on the Rehabilitator's exercise of state police power is that the actions undertaken pursuant to his authority must be reasonably related to a public interest and must not be arbitrary or improperly discriminatory. *Carpenter*, 10 Cal.2d at 330, 74 P.2d at 775: *Minor*, 898 S.W.2d at 82. Although certain of the JeffCo Holders' rights may be compromised as a consequence of the Rehabilitator's determination that FGIC should retain its control rights, premiums and reimbursements, the overall benefit to the estate and policyholders as a whole justifies such determination. *See supra* Reply Brief § II, III.
(e) The requirements that parties turn over to FGIC reimbursement amounts and not offset such amounts against unpaid claims: i. Violate the terms of the Jefferson County policies and sewer warrants indenture;	(e) i. As set forth in detail in the Reply Brief, the Rehabilitator has broad authority to implement the Plan, including to modify contracts and other rights and deem FGIC cured for purposes of recovering reimbursements. *See supra* Reply Brief §§ I, II. Furthermore, the transaction documents governing the JeffCo Holders clearly provide that FGIC has

5. **Objection of JeffCo Holders**	
	a right to reimbursement to the extent it makes payments, regardless of whether the holders' losses are paid in full. First, FGIC has no obligation to make a payment on account of its policy until the JeffCo Holders have provided evidence that FGIC will have the right to reimbursement. Thus, the policy specifically provides that payment is conditioned on "receipt by the Fiscal Agent . . . [of] evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in in [FGIC]." JeffCo Holder Obj. Ex. B. Second, the JeffCo Holders' indenture provides that FGIC shall be subrogated to the extent that it makes payments, without regard to whether payments are made in full. JeffCo Holder Obj. Ex. A § 17.1(c) ("The Bond Insurer shall to the extent it makes payment of principal of or interest on the Series 1997 Warrants become subrogated to the rights of the recipients of such payments . . . ."). Third, in the event that (i) FGIC has made any payment of principal and/or interest on the transaction securities and is therefore contractually subrogated to the rights of the recipients of such payments in accordance with the express terms of the policy and the indenture, and (ii) the amount available to the respective trustee for such purpose is not sufficient to pay in full an installment of principal and/or interest due, then in accordance with the express terms of the indenture, the trustee is required to apply available funds to the proportionate payment of all such installments, with interest on overdue installments, according to the amounts thereof, without preference or priority of any installment over any other or any discrimination or privilege among the persons entitled thereto. Accordingly, pursuant to the express terms of the policy and the indenture, FGIC, as contractual subrogee and assignee, is entitled to its proportionate share

5. **Objection of JeffCo Holders**	
	of such distributions with respect to such prior payments of principal and/or interest made by FGIC, together with interest thereon without regard to whether all holders have been paid in full. *See* JeffCo Holder Obj. Ex. A § 13.3 (providing that available funds must be applied to pay the outstanding principal of, premium if any, and interest on the transaction securities, with interest on overdue installments thereof, without preference or priority of any installment of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any transaction security over any other transaction security, in proportion to the amounts for both principal and interest due respectively to the persons entitled thereto, *without any discrimination or privilege among such persons*). Importantly, and consistent with the JeffCo Holders' policy and indenture, Section 1.4(A) and the definition of FGIC Payments clearly provide that FGIC's recovery by subrogation to a policyholder will never exceed the amount FGIC paid that policyholder on account of policy claims. Section 4.13 of the Plan reinforces this point, providing that any right to subrogation that FGIC may have "shall be for an amount equal to the Cash that FGIC ultimately pays . . . ."
ii. Violate New York's "made whole" doctrine;	ii. The Plan and Restructured Policy Terms provide that policyholders must turn over reimbursements to FGIC. The made whole doctrine only applies to instances of equitable subrogation, and does not apply to contractual subrogation rights or other contractual provisions for reimbursement. *See J & B Schoenfeld, Fur Merchants, Inc. v. Albany Ins. Co.*, 109 A.D.2d 370, 372-73, 492 N.Y.S.2d 38, 41 (1st Dept. 1985) ("[W]here the right of an insurer to subrogation

5. **Objection of JeffCo Holders**	
	is expressly provided for in the policy, its rights must be governed by the terms of the policy."); *Fed. Ins. Co. v. Arthur Andersen & Co.*, 75 N.Y.2d 366, 371 (N.Y. 1990) (noting that for "contractual subrogation . . . the subrogee's rights are defined in an express agreement between the insurer-subrogee and the insured-subrogor"); *Lawyers' Fund for Client Prot. of State of N.Y. v. Bank Leumi Trust Co. of New York*, 94 N.Y.2d 398, 403 (N.Y. 2000) (interpreting a contractual subrogation provision to allow recovery of amounts greater than had been paid, notwithstanding the general rule that a subrogee's claim is limited to the amount it paid the subrogor, and noting that "this is not a case dealing with equitable subrogation"). All of the New York cases the JeffCo Holders cite as support that they must be "made whole" recognize that this doctrine is an equitable principle that applies to equitable subrogation, as opposed to contractual subrogation. *See Fasso v. Doerr*, 12 N.Y.3d 80, 86-88 (N.Y. 2009) (noting that the made whole doctrine is "an important limitation on recovery under the doctrine of *equitable subrogation*" and also distinguishing equitable subrogation from the "contract-based theory of subrogation") (emphasis added); *cf. USF&G v. Maggiore*, 299 A.D.2d 341, 343, 749 N.Y.S.2d 555 (2d Dept. 2002) (applying made whole doctrine because, though insurers asserted a right of contractual subrogation, the relevant terms were not part of the record and therefore the court had to rely on equitable subrogation principles). Here, the provisions of the restructured policies are clear: FGIC has the right to recover FGIC Payments, whether they arise through subrogation or otherwise, and without any requirement that the insured first recover its entire loss. Therefore, the made whole doctrine does not apply. Contrary to the JeffCo Holders' assertion, FGIC is not

5. **Objection of JeffCo Holders**	
	seeking to claim any payment based on the DPO or a discharge of the claim, but rather has strictly limited its reimbursement rights to the amount of actual CPP payments. *See supra* Response to JeffCo Holders Obj. (e)(i). *Northwestern Mutual Life Ins. Co. v. Delta Air Lines, Inc. (In re Delta Air Lines, Inc.)*, 608 F.3d 139 (2d Cir. 2010), which the JeffCo Holders cite on this topic, is not a "made whole" case or even a subrogation case. It is a contractual interpretation case and is completely irrelevant here.
iii. Constitute an unconstitutional taking of the JeffCo Holders' property; and	iii. *See supra* Response to JeffCo Holders Obj. (d).
iv. Conflict with federal bankruptcy law and claims administration in the Jefferson County bankruptcy proceeding.	iv. Whether FGIC's claims against Jefferson County in its chapter 9 bankruptcy case are or should be subordinated pursuant to section 509 of the Bankruptcy Code is not an issue before the Court. For all of the reasons discussed in the Reply Brief, the Rehabilitator has authority to require the Jefferson County indenture trustee to turn over FGIC Payments, and doing so is necessary to provide fair and equitable treatment to all policyholders.

6. **Objection of CQS**	
Objection	Response
CQS objects as follows:	
(a) It is unfair and inequitable to deem FGIC not in default under the policies and permit FGIC to retain control rights and reimbursements (including excess cash flow from insured securities) because FGIC is not paying policy claims in full;	(a) The objection should be overruled. *See supra* Reply Brief § I, II, III.
(b) The Plan benefits certain policyholders at the expense of others by taking cash streams (reimbursements) from those bondholders whose underlying securities are producing excess cash and redistributing it to bondholders whose underlying securities are not;	(b) The objection should be overruled. *See supra* Reply Brief § II.A.
(c) Many bondholders will receive worse treatment under the Plan than under the status quo or a liquidation of FGIC because (i) on a present value basis, the 15% CPP[5] has less value than the value of excess spread such bondholders currently receive from insured securities and (ii) the Plan permits FGIC to collect the excess spread without guaranteeing that additional payments will be made on account of DPO; and	(c) CQS provides no evidence to support its assertion that many bondholders will receive worse treatment under the Plan than under the status quo or in a liquidation of FGIC. Furthermore, CQS provides no explanation of the term "excess spread" or how, if at all, the Plan affects who receives such amounts. The only evidence before the Court is the Updated Liquidation Analysis, which shows that policyholders recover more under the Plan. *See* Lazard Aff. Ex. 2. CQS's comparison to the "Sharps" deal (which FGIC understands to refer to the Sharps SP I LLC offer to exchange) is also misguided. CQS's understanding that the Sharps SP I LLC offer to exchange was rejected because bondholders were better off with the excess spread rather than the cash consent fee and other consideration offer by FGIC is purely speculative. The SP I LLC offer to exchange did not purport to amend policyholders' rights to receive excess spread and any comparison between it and the Plan regarding the excess spread is misplaced.

[5] Since CQS has filed its objection, the initial CPP has increased from 15% to 17.25%. *See* Lazard Aff. ¶ 22.

6. **Objection of CQS**	
(d) Termination (pursuant to the Novation Agreement) of FGIC's right to recapture certain reinsured municipal bond policies from National Public eliminates a valuable asset of FGIC without consideration and is not in the best interest of policyholders.	(d) The objection should be overruled. *See supra* Reply Brief § IV.

7. **Objection of CHP**	
Objection	Response
CHP objects as follows: (a) Sections 3.5 and 7.8 of the Plan unfairly deprive CHP of its contractual right to terminate its policies based upon a FGIC ratings downgrade, which right was triggered before FGIC was placed into rehabilitation;	(a) Although CHP may have been able to terminate its policies on account of a ratings downgrade occurring several years ago (before FGIC's financial condition had deteriorated to the point of requiring initiation of an insolvency proceeding), CHP failed to exercise that right. CHP's request amounts to termination based upon the rehabilitation (including policyholders' treatment in the Plan), which is precluded by Section 7.8(d) of the Plan. There is no basis on which to treat CHP differently than other policyholders. As recognized by bankruptcy courts facing analogous situations, where termination of a contract initially is permissible but the holder of the termination right delays and later seeks to exercise such right based upon prohibited reasons (*i.e.* treatment in an insolvency proceeding), the right is waived and termination is prohibited. *See, e.g., In re Lehman Brothers, Inc.*, Case No. 08-13555 (JMP), Transcript [Dkt. No. 5261] at 101-13 (Bankr. S.D.N.Y. Sept. 17, 2009) (finding that, although the Bankruptcy Code granted the right to terminate a swap agreement upon Lehman's bankruptcy filing, this right had been waived because over a year had passed since the filing and the party had attempted to "ride the market" in hopes that its contract would become more valuable); *see also In re Amcor Funding Corp.*, 117 B.R. 549, 550 (D. Ariz. 1990) (prohibiting broker from liquidating a

7. **Objection of CHP**	
	debtor's securities account even though the right to liquidate had been triggered by the commencement of the debtor's bankruptcy case, as permitted by the Bankruptcy Code, where over a year had passed since the commencement date and the decision to liquidate was clearly based on the broker's own financial condition).
(b) The Plan permits the Rehabilitator to "cherry-pick" the benefits of the bargain it struck with CHP (by requiring payment in full of premiums) without having to abide by its burdens (including termination rights);	(b) The objection should be overruled. *See supra* Reply Brief § I, II.
(c) Sections 3.5 and 7.8 of the Plan inequitably permit FGIC to retain control rights over the financing of the insured project;	(c) The objection should be overruled. *See supra* Reply Brief § I, III.
(d) Pursuant to the Novation Agreement, the Plan violates Section 7434 of the NYIL by preferring some policyholders at the expense of others;	(d) The objection should be overruled. *See supra* Reply Brief § IV.
(e) The Plan otherwise contains deficiencies and objectionable provisions, including because:	(e) CHP's remaining contentions were listed as bullet points with little, if any, legal or factual backing. Nonetheless, the Rehabilitator submits the following points:
i. The Plan is nothing more than a disguised liquidation without any court oversight in violation of Section 7405 of the NYIL because after the effective date there will be no business other than the run-off of FGIC's policies;	i. Although the Plan provides for a runoff of FGIC's assets, it entails relief distinct and actually better than what would be available in a liquidation. Under an Article 74 liquidation, as described in the Updated Liquidation Analysis, FGIC would wind down over a 40 year period, during which policy claimants may receive a few small distributions during the proceeding but a significant portion of the claims would remain unpaid until the final distribution (likely in 2052). Lazard Aff. Ex. 2. By contrast, under the Plan, FGIC will pay the CPP of permitted policy claims as they come in and, if possible, additional amounts over time, adjusted as expected recoveries change. By effectuating these distributions outside of a proceeding, the Plan eliminates the legal and administrative expenses that would be associated

7. **Objection of CHP**	
	with a prolonged, court-supervised liquidation process, thus resulting in increased recoveries. Furthermore, by making larger distributions now as claims arise, instead of very limited, periodic disbursements over a substantial length of time, those parties with permitted claims will get the benefit of the time value of recoveries. In any event, the Plan calls for continued oversight by the NYSDFS and has been designed to ensure the fair and equitable treatment of all policyholders, consistent with the purposes of Article 74, and the Court will retain exclusive jurisdiction to hear disputes or enforce the Plan, as necessary. CHP cites no authority whatsoever for its proposition that an insurer's liquidation must occur within a proceeding pursuant to Section 7405 of the NYIL. This requirement cannot be found anywhere in Section 7405, and is inconsistent with numerous provisions in Article 74 granting the Superintendent and the Court broad discretion to determine the most suitable means of winding down an insurer's business. For instance, Sections 7402(i) and 7404 provide that where an insurer has ceased to issue new policies (*i.e.* has begun a voluntary run-off) it is a matter of the Superintendent's discretion whether to order a court-monitored rehabilitation or liquidation proceeding (or no proceeding at all). Furthermore, Article 74 does not require that an insurer that is exiting rehabilitation continues to issue new policies; rather, Section 7403(d) allows a court to terminate a rehabilitation if it determines that "the purposes of the proceeding have been fully accomplished." Contrary to CHP's assertion, the runoff provided by the Plan does not violate any requirements of Section 7405 or Article 74.

7. **Objection of CHP**	
ii. The Rehabilitator has not demonstrated that policyholders would recover more under the Plan than in a liquidation;	ii. CHP has not provided any basis for its conclusory statement that the Rehabilitator has failed to adequately demonstrate that policyholders will receive more under the Plan than in a liquidation. The only evidence on this point is the Rehabilitator's Updated Liquidation Analysis, and CHP offers nothing to rebut this evidence. *See* Memo of Law § II.C; Lazard Aff. ¶ 28, Ex. 2.
iii. Policyholders cannot opt-out of the Plan;	iii. The objection should be overruled. *See supra* Reply Brief § I.A.
iv. The Rehabilitator has failed to provide justification for applying a discount rate of 10-20% in calculating present value recoveries of policyholders and courts have rejected applying discount rates in excess of 10% in the context of bankruptcy valuations;	iv. CHP claims that the discount factors used in the Run-Off Projections and Liquidation Analysis, 10% and 20%, are too high, pointing to a bankruptcy case where a 10% discount rate was found to be too high and another case where an 8.5% discount rate was "reasonable." However, the appropriate discount rate will depend on the riskiness of cash flows being adjusted, and so the fact that one discount rate is appropriate for one set of cash flows does not mean it is appropriate for another. *See* Lazard Aff. ¶ 35. A 3.6% discount rate, for example, would be used to adjust the long-term debt of a strong, investment grade company and would not be appropriate for cash flows with a higher risk, such as FGIC policyholder claims. *See* Lazard Aff. ¶ 38. Yet even with a discount rate as low as 3.6%, the expected policyholder recoveries would remain higher under the Plan than in a liquidation. *See* Lazard Aff. ¶ 37.
v. The Rehabilitator has not demonstrated that the broad injunctions under Section 7.8 of the Plan are necessary for the rehabilitation to be effective or that they satisfy the requirements of Section 7419(b) of the NYIL;	v. This Court has broad powers under Section 7419(b) of the NYIL to enjoin acts that "it deems necessary to prevent . . . waste of the assets of the insurer, or . . . the obtaining of a preference . . . ." The Rehabilitator has exercised discretion in determining the parameters of the injunctive relief provided by Section 7.8 of the Plan. Such injunctions are necessary to implement and enforce the provisions of the

7. **Objection of CHP**	
	Plan, the bases for which are set forth in the Reply Brief and in the Memo of Law. *See supra* Reply Brief §§ I, II, III; Memo of Law § IV. CHP has not provided any example of how Section 7.8 is too broad or explained why this relief should not be granted.
vi. Under Section 7.10 of the Plan, policyholders are deprived of their due process to challenge the NYSDFS's decision to permit FGIC to write new insurance policies (and such decision may have an adverse impact on policyholder recoveries);	vi. Article 74 grants the Superintendent of Insurance discretion, as regulator, to allow or not allow a financial guaranty insurer to continue to issue policies. *See* NYIL §§ 1104(c), 6908 (providing that the superintendent *may* limit the amount of premiums written by a financial guaranty insurer upon determining that such insurer's surplus is not adequate in relation to its outstanding liabilities or financial needs). These provisions were enacted by the New York Legislature, as an exercise of its state police power. *See Carpenter*, 74 P.2d at 776 (explaining that the state acted "under and within its police power" in establishing the statutory scheme embodied in its insurance code and noting that the contract and due process clauses of the Constitution "do not apply to the state acting under its police powers"). Section 7.10 of the Plan, which provides that the decision whether to permit FGIC to write new insurance policies rests solely with the NYSDFS, is consistent with applicable law and does not violate any policyholders' right to due process.
vii. Sections 2.6 and 7.10(b) of the Plan are inconsistent – Section 2.6 provides that equity holders will not be entitled to any distributions unless all claims are paid in cash or fully reserved for, but Section 7.10(b) does not contain the same limitations; and	vii. Section 2.6 provides that equity holders will not receive any distributions until all claims are paid in cash or fully reserved for. Assuming that condition is satisfied, Section 7.10(b) provides that a dividend still will only be made upon prior express written approval of the NYSDFS.
ix. Section 7.8(c) of the Plan enjoins parties from exercising setoff rights in violation of Section 7427 of the NYIL.	ix. The objection should be overruled. *See supra* Reply Brief § II.B.

8. **Objection of Aurelius Capital Management, LP**	
Objection	Response
Aurelius Capital Management, LP objects as follows: (a) The Plan of Rehabilitation 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. (b) Aurelius Capital Management, LP joins in the objections filed by U.S. Bank and BNY.	(a) The objection should be overruled. *See supra* Reply Brief § II.B. (b) *See* Responses above.