

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

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: Index No. 401265/2012
In the Matter of the Rehabilitation of :
FINANCIAL GUARANTY INSURANCE : Doris Ling-Cohan, J.
COMPANY. :
: Motion Sequence No. 4
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**STIPULATION REGARDING TREATMENT UNDER
PLAN OF REHABILITATION FOR FINANCIAL GUARANTY
INSURANCE COMPANY AMONG THE REHABILITATOR OF
FINANCIAL GUARANTY INSURANCE COMPANY, FINANCIAL
GUARANTY INSURANCE COMPANY, THE BANK OF NEW YORK
MELLON, AS SUCCESSOR TRUSTEE, THE BANK OF NEW YORK MELLON,
AS FISCAL AGENT, AND CERTAIN JEFFERSON COUNTY WARRANTHOLDERS**

This stipulation, including Exhibit A attached hereto, (the “**Stipulation**”) is entered into among the Rehabilitator (as defined below), Financial Guaranty Insurance Company (“**FGIC**”), The Bank of New York Mellon, as successor trustee (the “**JeffCo Trustee**”), The Bank of New York Mellon, as FGIC’s fiscal agent under the JeffCo Warrant Policies (as defined below) (the “**Fiscal Agent**”), and certain holders of Insured JeffCo Warrants (as defined below) (the “**JeffCo Holders**”).¹ The Rehabilitator, FGIC, the JeffCo Trustee, and the JeffCo Holders are referred to herein collectively as the “**Parties**” and individually as a “**Party**”.

RECITALS:

1. Between 1997 and 2003, Jefferson County, Alabama (“**Jefferson County**”), issued certain sewer warrants (the “**JeffCo Warrants**”), of which approximately \$1.6 billion in

¹ The JeffCo Holders are: Brigade Capital Management, LLC, Claren Road Asset Management, LLC, Emerald Eagle Holdings, L.L.C., Emerald Eagle Holdings South, L.L.C., Fundamental Advisors, LP, Monarch Cayman Fund Limited, Monarch Alternative Solutions Master Fund Ltd, Monarch Capital Master Partners II LP, Monarch Capital Master Partners II-A LP, Monarch Capital Master Partners LP, Monarch Debt Recovery Master Fund Ltd, Monarch Opportunities Master Fund Ltd, Oakford MF Ltd, P Monarch Recovery Ltd., Citigroup Global Markets, Inc., and Stone Lion Capital Partners L.P., each as either holders of Insured JeffCo Warrants or as investment advisers to, or managers of, funds or accounts that hold Insured JeffCo Warrants with power to direct the voting of Insured JeffCo Warrants held by such funds or accounts.

principal amount are insured by FGIC (the “**Insured JeffCo Warrants**”) pursuant to insurance policies numbered 97010082, 01010225, 03010448, and 03010824 (the “**JeffCo Warrant Policies**”).²

2. The Insured JeffCo Warrants were issued pursuant to that certain Trust Indenture dated as of February 1, 1997, by and between Jefferson County and AmSouth Bank of Alabama, as predecessor in interest to the JeffCo Trustee (together with all amendments and supplements thereto, and as the same may be further amended or supplemented, the “**JeffCo Indenture**”).

3. As of the date hereof, the JeffCo Holders hold more than \$377 million in principal amount of the Insured JeffCo Warrants.

4. On November 9, 2011, Jefferson County commenced a case under chapter 9 of title 11 of the United States Code captioned *In re Jefferson County, Alabama*, Case No. 11-5736-TBB-9 (the “**JeffCo Bankruptcy**”), which case is currently pending before the Honorable Thomas B. Bennett in the United States Bankruptcy Court for the Northern District of Alabama.

5. 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 of FGIC (the “**Rehabilitator**”), (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.

6. On September 27, 2012, the Rehabilitator filed with the Rehabilitation Court a Plan of Rehabilitation for Financial Guaranty Insurance Company, dated September 27, 2012 (together with all exhibits and supplements thereto, the “**Plan**”).

² Capitalized terms denoting the singular number shall include the plural number and vice versa, as appropriate.

7. On November 19, 2012, (i) the JeffCo Holders filed with the Rehabilitation Court the Objection of Certain Jefferson County Warrantholders to Plan of Rehabilitation (the “**JeffCo Holders Plan Objection**”) and (ii) The Bank of New York Mellon and The Bank of New York Mellon Trust Company, N.A., each in its capacity as indenture trustee (collectively, the “**Trustees**”), filed with the Rehabilitation Court the Objections of The Bank of New York Mellon and The Bank of New York Mellon Trust Company, N.A., as Trustee to the Proposed Plan of Rehabilitation (the “**Trustees Plan Objection**”).

8. On December 12, 2012, the Rehabilitator filed (among other things) the First Amended Plan of Rehabilitation for Financial Guaranty Insurance Company, dated December 12, 2012 (together with all exhibits and supplements thereto, the “**December Plan**”), which incorporated revisions to resolve certain issues raised in the JeffCo Holders Plan Objection, the Trustees Plan Objection, and other parties’ objections to the Plan.

9. On December 18, 2012, the Rehabilitation Court held a status conference regarding the objections that remained outstanding.

10. By Order, dated December 19, 2012, the Rehabilitation Court directed the objecting parties to file, by January 22, 2013, amended objections, removing those objections that had been resolved.

11. On January 22, 2013, (i) the JeffCo Holders filed with the Rehabilitation Court the Amended Objections of Certain Jefferson County Warrantholders to the Amended Plan of Rehabilitation (the “**Amended JeffCo Holders Plan Objection**”)³ and (ii) the Trustees filed with the Rehabilitation Court the Amended Objections of The Bank of New York Mellon and

³ Citigroup Global Markets, Inc., was not identified as a JeffCo Holder in the JeffCo Holders Plan Objection, but was identified as such on the subsequently-filed Amended JeffCo Holders Plan Objection.

The Bank of New York Mellon Trust Company, N.A., as Trustee to the Proposed Plan of Rehabilitation (the “**Amended Trustees Plan Objection**”).

12. On February 15, 2013, the Rehabilitation Court held a status conference regarding the objections that remained outstanding.

13. In accordance with representations made at that status conference, as well as pursuant to the Rehabilitation Court’s Order, dated February 19, 2013, on April 12, 2013 (i) the Trustees filed a notice withdrawing the Amended Trustees Plan Objection (which superseded the Trustees Plan Objection) and (ii) the Rehabilitator filed (among other things) the First Amended Plan of Rehabilitation for Financial Guaranty Insurance Company, dated April 12, 2013 (together with all exhibits and supplements thereto, and as the same may be further amended or supplemented, the “**Amended Plan**”).

14. The hearing to consider approval of the Amended Plan is scheduled for June 11, 2013.

15. To resolve the Amended JeffCo Holders Plan Objection, and to clarify the application of certain provisions of the Amended Plan to the Insured JeffCo Warrants, the Parties agree to the following:

AGREEMENT:

16. In furtherance of Sections 17.1(a)(ii) and 17.1(c) of the JeffCo Indenture and related provisions in the JeffCo Warrant Policies, in an effort to better provide for the book-entry status of certain Insured JeffCo Warrants, and to provide appropriate procedures by which FGIC could make payments to holders of Insured JeffCo Warrants on account of Permitted Policy Claims⁴ while retaining its rights to receive Insured JeffCo Warrants and rights therein or to

⁴ Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Amended Plan.

receive payments thereon in exchange for such payments, the terms and provisions set forth in **Exhibit A** attached hereto are incorporated herein by reference and shall supersede anything to the contrary in the JeffCo Indenture, the JeffCo Warrant Policies, the Restructured Policy Terms or the Amended Plan. For the avoidance of doubt, nothing in this Stipulation, the Amended Plan, the Restructured Policy Terms or the Plan Approval Order shall abrogate any right of standing of holders of Insured JeffCo Warrants to assert, compromise or release claims under JeffCo Warrant Policies that may exist.

17. Notwithstanding anything to the contrary in the Amended Plan, the Restructured Policy Terms or the Plan Approval Order (including, without limitation, Sections 3.5 and 7.8 of the Amended Plan), the terms and conditions of the Transaction Documents relating to any JeffCo Warrant Policy (as the same was in effect immediately prior to the commencement of the Rehabilitation) and the Insured JeffCo Warrants covered thereunder that provide for any approval, consent, direction, voting, veto, or similar right under any such Transaction Document or the related Insured JeffCo Warrants (collectively, the “**JeffCo Control Rights**”) shall be given effect in accordance with the applicable law governing such Transaction Documents, subject to the provisions set forth herein. For purposes of clarity, the term “JeffCo Control Rights” shall include any rights of FGIC to be “deemed” the sole holder of Insured JeffCo Warrants for all purposes of Article XIII of the Indenture (except the giving of notice of defaults to warrant holders) pursuant to Section 17.3(c) of the JeffCo Indenture and other relevant provisions of the supplemental indentures and shall not include (a) (i) any rights of FGIC with respect to FGIC Payments or FGIC Direct Claims, (ii) any rights that FGIC may presently have or have in the future as an actual or beneficial holder of JeffCo Warrants (including, without limitation, the right to vote on a chapter 9 plan of adjustment), (iii) any rights of FGIC that are

not under the terms of the Transaction Documents expressly conditioned upon the absence of default by FGIC, or (iv) any right FGIC may have in respect of the JeffCo Warrant Policies or the Insured JeffCo Warrants not set forth in the terms and conditions of the Transaction Documents, all of the foregoing rights in Paragraph 17(a)(i)–(iv) being expressly retained by FGIC, or (b) any right a holder of Insured JeffCo Warrants may presently have or have in the future in respect of such Insured JeffCo Warrants not set forth in the terms and conditions of the Transaction Documents relating to the JeffCo Warrant Policy insuring such Insured JeffCo Warrants, including, without limitation, the right of a holder of Insured JeffCo Warrants to vote on a chapter 9 plan of adjustment, which rights are expressly retained by such holders of Insured JeffCo Warrants. The exercise of JeffCo Control Rights by any persons other than FGIC, in each case, as contemplated by and in accordance with the Stipulation, even if not Reasonably Exercised or if such exercise was an Unauthorized Exercise, shall not give rise to a Policy Crystallization Event and instead shall be governed by the terms of this Stipulation.

18. Without limiting the provisions of Section 4.6 of the Amended Plan (other than Section 4.6(iv), as to which actions taken in accordance with the terms and conditions of this Stipulation shall not be deemed to be in violation of the Amended Plan or the injunctive relief set forth in Section 7.8 of the Amended Plan), if (i) an Unauthorized Exercise (as defined below) of a JeffCo Control Right by persons other than FGIC results or is reasonably expected to result in (x) the amendment, waiver or other modification of any of the terms or conditions of the Insured JeffCo Warrants or any of the related Transaction Documents in any manner that would terminate, diminish or otherwise adversely impact any of FGIC's rights thereunder or increase or accelerate any of FGIC's obligations or liabilities thereunder or in respect thereof, including, without limitation, under any JeffCo Warrant Policy, or (y) the direct or indirect impairment of

FGIC's right or ability to recover FGIC Payments or payments in respect of FGIC Direct Claims or (to the extent retained by FGIC, giving effect to Paragraph 17 above) exercise JeffCo Control Rights, or (ii) a JeffCo Control Right is not Reasonably Exercised (as defined below), then FGIC may deny all or any part of any Claims under any related JeffCo Warrant Policy to the extent necessary to remedy any harm that FGIC suffers or is reasonably expected to suffer as a result thereof. If any dispute regarding such denial is not able to be resolved in accordance with the provisions of the Amended Plan, then the Rehabilitation Court shall have exclusive jurisdiction to resolve such dispute. For purposes of this Stipulation: (i) "**Reasonably Exercised**" means the exercise or non-exercise of a JeffCo Control Right in a manner that is reasonably intended to maximize recoveries on the Insured JeffCo Warrants from Jefferson County or otherwise, but without considering any potential payments from FGIC or any other insurer; and (ii) "**Unauthorized Exercise**" means (a) the exercise of a JeffCo Control Right by any person other than FGIC (x) unless exigent circumstances dictate otherwise, which shall be governed by the proviso below, without giving at least fourteen (14) days prior written notice to FGIC (which notice shall contain a reasonable description of the action to be taken and the rationale therefor) or without, at FGIC's request made within such period, consulting with FGIC prior to such exercise or (y) after FGIC delivers written notice to such person of FGIC's objection to the exercise thereof with reasons stated therefor and/or (b) the failure to exercise a JeffCo Control Right by any person that may exercise such right consistent with the terms of this Stipulation, at FGIC's sole, reasonable expense, within fourteen days (14) days after FGIC delivers to such person a written notice specifying the right to be exercised and the reasons therefor; *provided, however,* that if such requested exercise would require an indemnity to the JeffCo Trustee pursuant to the terms and conditions of the relevant Transaction Documents (as modified by the

Amended Plan), FGIC must agree to provide such indemnity for the failure to comply therewith to constitute an “Unauthorized Exercise”; *provided, further*, that “Unauthorized Exercise” does not include any exercise or failure to exercise a JeffCo Control Right to which FGIC has consented in writing; *provided, further*, that failure to give at least fourteen (14) days prior written notice to FGIC in accordance with clause (x) above shall not constitute an “Unauthorized Exercise” if (i) exigent circumstances preclude the giving of notice fourteen (14) days in advance of the action taken, (ii) FGIC receives as much notice as practicable in light of such exigent circumstances, (iii) FGIC is provided with the opportunity to object to such action within a fourteen (14) day period after the later of (A) the taking of such action or (B) receipt by FGIC of a notice meeting the requirements described in clause (x) above, (iv) the action taken is capable of being rescinded or withdrawn by the person taking such action in such a manner that would leave FGIC in the same position it would have occupied had such action not been taken and (v) if objected to by FGIC within such fourteen (14) day period, such action is in fact rescinded or withdrawn in such a manner that leaves FGIC in the same position it would have occupied had such action not been taken; *provided, further*, the voting on a chapter 9 plan of adjustment without complying with the procedural requirements set forth herein by any person other than FGIC shall not constitute an Unauthorized Exercise or provide a basis for denying all or part of any Claim under any related JeffCo Warrant Policy on the ground that a JeffCo Control Right was not Reasonably Exercised; *provided, further*, if (a) a person exercises a JeffCo Control Right in accordance with an objection or notice from FGIC as contemplated by this Paragraph at FGIC’s sole, reasonable expense and (b) FGIC fails to reimburse such person’s reasonable out-of-pocket expenses incurred in connection with such requested exercise within 30 days after FGIC receives a reasonably detailed invoice (subject to redaction for privilege) for such

expenses, then, so long as such person is not reimbursed therefor, such person shall be authorized to cease exercising such JeffCo Control Right in accordance with the objection or notice from FGIC and such exercise shall not constitute an Unauthorized Exercise or provide a basis for denying all or part of any Claim under any related JeffCo Warrant Policy on the ground that such JeffCo Control Right was not Reasonably Exercised. For the avoidance of doubt, (i) no actions taken by any persons prior to the date of this Stipulation shall constitute an Unauthorized Exercise or provide a basis for denying all or part of any Claim under any related JeffCo Warrant Policy on the ground that it was not Reasonably Exercised; (ii) if FGIC fails to object within the fourteen (14) day time period contemplated herein after receiving a notice meeting the requirements described in clause (a)(x) of the definition of “Unauthorized Exercise” above, the exercise of the underlying action set forth in such notice shall not constitute an Unauthorized Exercise or otherwise provide a basis for denying all or part of any Claim under any related JeffCo Warrant Policy on the ground that such JeffCo Control Right was not Reasonably Exercised; and (iii) if FGIC objects within the fourteen (14) day time period contemplated herein and a person exercises such JeffCo Control Right notwithstanding this objection, such objection shall preserve FGIC’s right to deny all or part of any Claim under any related JeffCo Warrant Policy on the ground that such JeffCo Control Right was not Reasonably Exercised.

19. The first paragraph of Section 3.5(a) of the Amended Plan shall be revised as follows:

Subject to Section 3.7 of the Plan, and except as part of a transaction subject to Section 4.8 hereof or as may be ordered or approved by the Court, from and after the date of the Order of Rehabilitation, any default, event of default or other event or circumstance relating to the FGIC Parties then existing (or that would exist with the passing of time or the giving of notice or both) under any FGIC Contract or Transaction Document, as a result of (whether directly or indirectly) the Rehabilitation or the Rehabilitation Circumstances shall be deemed to be cured and not to have occurred (including, for the avoidance of doubt, any default, event

of default or other event or circumstance that has arisen (or that may otherwise arise with the passing of time or the giving of notice or both) due to a lack of payment or performance of or by the FGIC Parties under any FGIC Contract or Transaction Document).

For the avoidance of doubt, this Stipulation, once approved, shall fall within the exception described in this revised Section 3.5(a) of the Amended Plan. To the extent that (x) the Rehabilitation Court denies the Rehabilitator's motion for entry of the Approval Order or (y) the Approval Order is overturned on appeal, the dispute to be settled by this Stipulation shall be addressed pursuant to this revised Section 3.5(a) of the Amended Plan "as may be further ordered by the Court" (which shall not include the Plan Approval Order) in accordance with Paragraph 25 of this Stipulation.

20. For the purposes of the Amended Plan, the value of any distribution by Jefferson County of securities or other property (other than Cash) on account of an Insured JeffCo Warrant obligation shall be the value of such distribution on the date distributed by Jefferson County, in each case as determined by FGIC in good faith (subject to the review as set forth below). The holder of a related Policy Claim under a JeffCo Warrant Policy may, to the extent that FGIC has permitted and paid the CPP of all or any part of such claim, challenge any such valuation by FGIC only if such holder can show that it was not made in good faith.

21. For the avoidance of doubt, nothing in this Stipulation is intended to modify, amend, supplement or waive the terms and conditions of any Insured JeffCo Warrant, the JeffCo Indenture or any supplement thereto, or any other Transaction Document in connection therewith, but rather is intended to clarify, in the context of and giving effect to all of the provisions of the Stipulation, the Amended Plan, the Restructured Policy Terms, and the Plan Approval Order, the relative rights of FGIC, the holders of Insured JeffCo Warrants, and the JeffCo Trustee in respect of the exercise of their rights and remedies set forth therein and herein,

and in the context of any conflicts the terms of this Stipulation shall control. Nothing in this Stipulation, the Amended Plan, the Restructured Policy Terms, or the Plan Approval Order is intended to restrict, modify, or otherwise affect any rights arising under or relating to JeffCo Warrants other than the Insured JeffCo Warrants (the “**Other Warrants**”). No provision of this Stipulation, the Amended Plan, the Restructured Policy Terms, or the Plan Approval Order shall require any holder of an Insured JeffCo Warrant to incur any expense or liability or to exercise or refrain from exercising any rights arising under or relating to any Other Warrants (such rights, the “**Unrelated Rights**”), and no provision of this Stipulation, the Amended Plan, the Restructured Policy Terms, or the Plan Approval Order shall impose any liability on such holder or cause such holder to forfeit any claim it may have against FGIC because of its exercise or failure to exercise such Unrelated Rights, including, without limitation, any holder’s decision not to enter into or continue any agreement delaying payment of amounts due to such holder with respect to Other Warrants.

22. Consistent with Section 4.13 of the Amended Plan, any contractual right to subrogation that FGIC may have under or with respect to any JeffCo Warrant Policy or related FGIC Contract or Transaction Document shall be for an amount not exceeding the amount of the Cash payments that FGIC ultimately pays thereunder or with respect thereto, on account of Permitted Policy Claims under such JeffCo Warrant Policy (including, without limitation, as a result of future CPP increases that may occur following any initial payment of Cash with respect to such Permitted Policy Claims but excluding Cash payments made in respect of DPO Accretion for such Policy).

23. Notwithstanding anything to the contrary contained therein, no provision of the Amended Plan (including, without limitation, Sections 3.5, 4.9 or 7.8 of the Amended Plan), the

Restructured Policy Terms, or this Stipulation is intended or shall be deemed to supersede or amend any contractual subordination of any obligation to FGIC that is not related to, or does not arise from, the occurrence or existence of the Rehabilitation or the Rehabilitation Circumstances, including, without limitation, (i) the obligation to reimburse FGIC, in its capacity as issuer of any debt service reserve fund policy, for any fees, expenses, claims, or draws upon such debt service reserve fund policies issued by FGIC (including, without limitation, any interest accruing on any of the foregoing), to the extent expressly provided in the fourth paragraph of Section 11.11 of the JeffCo Indenture, in any related debt service reserve fund policy agreements, and in any supplemental indentures and (ii) the obligation to pay FGIC for amounts owing under any standby warrant purchase agreement other than the payment of principal and interest on the Bank Warrants (as defined therein) and facility fees, to the extent expressly provided in Section 2.13 of such standby warrant purchase agreements. Notwithstanding anything to the contrary in the Amended Plan or the Restructured Policy Terms, FGIC shall not be permitted to set-off cash payments owing by FGIC under the JeffCo Warrant Policies or any debt service reserve fund policy against claims that are subject to contractual subordination as contemplated by this Paragraph.

24. To the extent the terms and conditions of this Stipulation are inconsistent with the terms and conditions of the Amended Plan or the Restructured Policy Terms, the terms and conditions of this Stipulation shall govern. Other than to the extent necessary to give effect to this Stipulation, this Stipulation does not alter or modify any of the other provisions of the Amended Plan or the Restructured Policy Terms, which shall govern all rights and obligations of all current and future holders of Insured JeffCo Warrants and the holders under the JeffCo Warrant Policies.

25. Promptly after execution of this Stipulation by the Parties: (i) the Rehabilitator shall file with the Rehabilitation Court an affirmation in support of a motion by the Rehabilitator for entry of an order approving this Stipulation, including, without limitation, its application to all holders of Insured JeffCo Warrants, substantially in the form attached hereto as **Exhibit B** (the “**Approval Order**”), and entry of an order to show cause that, among other things, (a) sets a date for a hearing to consider entry of the Approval Order, (b) establishes a briefing schedule, and (c) sets forth notice requirements for the Approval Order; (ii) the JeffCo Holders shall withdraw the JeffCo Holders Plan Objection and the Amended JeffCo Holders Plan Objection; and (iii) the Trustees shall withdraw the Trustees Plan Objection and the Amended Trustees Plan Objection (insofar as each relates to the Insured JeffCo Warrants (including, without limitation, the treatment of JeffCo Control Rights), to the extent not previously withdrawn); *provided, however,* that (x) if the Rehabilitation Court denies the Rehabilitator’s motion for entry of the Approval Order or (y) if the Approval Order is overturned on appeal, the JeffCo Holders Plan Objection and the Amended JeffCo Holders Plan Objection, the Trustees Plan Objection and the Amended Trustees Plan Objection (only insofar as each relates to the treatment of JeffCo Control Rights), and (to the extent applicable) the Rehabilitator’s filings in support of the Amended Plan (to the extent such filings relate to the treatment of JeffCo Control Rights) shall be reinstated solely for the purpose of resolving the treatment and appropriate apportionment of the JeffCo Control Rights (and not for purposes of considering approval of the Amended Plan as a whole), and the dispute with respect thereto shall be addressed at a further hearing before the Rehabilitation Court.

26. Notwithstanding anything to the contrary contained in the JeffCo Indenture, no provision of the Amended Plan or of this Stipulation is intended or shall be deemed to limit or

reduce any rights of FGIC in its capacity as an actual or beneficial holder of any appurtenant coupons, rights to payment of principal or interest, or other rights under any Insured JeffCo Warrants that are at any time assigned to FGIC in accordance with the terms of any JeffCo Warrant Policy, the JeffCo Indenture, or this Stipulation.

27. The provisions of Paragraphs 16–18 herein shall become effective upon such time as the Approval Order becomes a Final Order (such time, the “**Effective Date**”). All other provisions of this Stipulation shall become effective immediately upon execution of this Stipulation by the Parties. All provisions of this Stipulation that specifically rely on or incorporate provisions of the Amended Plan or the Restructured Policy Terms shall be binding on the Parties even if the Plan Approval Order does not become a Final Order, *provided, however*, in the event the Rehabilitator is unable to obtain Rehabilitation Court approval of a plan of rehabilitation or liquidation, this sentence shall not otherwise impose terms and conditions of such unapproved plan on the holders of JeffCo Insured Warrants and none of the Amended Plan, the Plan Approval Order or the Restructured Policy Terms are otherwise generally incorporated herein by reference.

28. Pending the Effective Date or such other date upon which an order entered by the Rehabilitation Court otherwise establishing the apportionment and treatment of the rights and obligations addressed in Paragraphs 17–18 herein (as contemplated by Paragraph 25 above) becomes a Final Order, the treatment of the JeffCo Control Rights shall be governed by Paragraph 14 of the Order of Rehabilitation, to the extent applicable, or such other or further order as may be entered by the Rehabilitation Court. Notwithstanding the foregoing, FGIC agrees and stipulates that the JeffCo Trustee may join FGIC as a party defendant in the adversary proceeding number 13-00019 (“**Declaratory Judgment Action**”) commenced by the JeffCo

Trustee in the JeffCo Bankruptcy concerning the determination of any disputes that may exist with regard to the five counts set forth in the JeffCo Trustee's Complaint for Declaratory Judgment that was filed in the Declaratory Judgment Action on February 6, 2013. FGIC shall be entitled to assert all defenses, positions, and claims that it may have with regard to the Declaratory Judgment Action, including, without limitation, that the JeffCo Bankruptcy Court does not have (or should not accept) jurisdiction, (other than defenses, positions, or claims based on any injunction or stay imposed by the Order of Rehabilitation) to adjudicate the Declaratory Judgment Action. FGIC does not consent to any other causes of action or claims being asserted against FGIC by the JeffCo Trustee or any other party in the Declaratory Judgment Action. FGIC agrees and stipulates solely as set forth herein that joining FGIC in the Declaratory Judgment Action shall not violate any injunction or stay imposed by the Order of Rehabilitation; *provided, however*, that any enforcement or application against FGIC or any of its property or assets of any determination or adjudication of rights pursuant to the Declaratory Judgment Action shall be subject to and governed by, to the extent applicable, the Order of Rehabilitation, this Stipulation, the Amended Plan, or such other or further order as may be entered by the Rehabilitation Court.

29. All notices under this Stipulation shall be deemed given (a) when delivered personally by hand (with written confirmation of receipt), (b) five (5) days after being deposited with the United States Post Office, by registered or certified mail, postage prepaid, (c) one (1) Business Day following the day sent by overnight courier (with written confirmation of receipt), (d) when sent by electronic mail, or (e) when sent by facsimile (with written confirmation of transmission), in each case, to the following addresses and facsimile numbers (or to such other

address or facsimile number as a Party may have specified by notice given to the other Party pursuant to this provision):

(a) if to the JeffCo Trustee to:

THE BANK OF NEW YORK MELLON
525 William Penn Place, 38th Floor
Pittsburgh, Pennsylvania 15259
Facsimile: (412) 236-9271
Attention: Bridget M. Schessler
Vice President
bridget.schessler@bnymellon.com

(b) if to the Fiscal Agent to:

THE BANK OF NEW YORK MELLON
525 William Penn Place, 38th Floor
Pittsburgh, Pennsylvania 15259
Facsimile: (412) 236-0870
Attention: David M. Babich
Vice President
david.babich@bnymellon.com

(c) if to FGIC to:

FINANCIAL GUARANTY INSURANCE COMPANY
125 Park Avenue
New York, NY 10017
Facsimile: (212) 312-3221
Attention: General Counsel
generalcounsel@fgic.com

with a copy to the JeffCo Trustee and the Fiscal Agent

(d) if to any holder of Insured JeffCo Warrants, to the addresses or facsimile numbers set forth in any notice sent from such holder of Insured JeffCo Warrants, with a copy to the JeffCo Trustee and the Fiscal Agent.

Section 9.7 of the Amended Plan shall not apply to the provision of Notice in accordance with this Stipulation or the submission of Policy Claims as contemplated hereby.

30. The terms of Paragraphs 19–35 herein shall survive notwithstanding the non-occurrence of the Effective Date.

31. 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. This Stipulation is solely for the benefit of the Parties and any other holders of the Insured JeffCo Warrants.

32. This Stipulation shall be construed and enforced pursuant to, and the rights of the Parties shall be governed by, the law of the State of New York, without giving effect to the conflicts of law principles thereof. Any legal action, suit or proceeding arising out of or relating to this Stipulation brought by any Party shall be brought in and determined by the Rehabilitation Court and each of the Parties hereby irrevocably submits to the exclusive jurisdiction of such court.

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

34. 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.

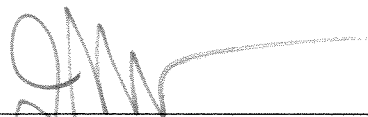
35. This Stipulation may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Evidence of execution of this Stipulation may be exchanged by fax or by electronic transmission of a scanned copy of the signature pages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

Dated: May 31, 2013
New York, New York

Weil, Gotshal & Manges LLP

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*Attorneys for the JeffCo Holders, solely
in their capacities as beneficial holders
of Insured JeffCo Warrants or as
investment advisers to, or managers of,
funds or accounts that hold Insured
JeffCo Warrants with power to direct
the voting of Insured JeffCo Warrants
held by such funds or accounts, and not
in capacities as holders of any other
claims insured by FGIC*

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New York, NY 10036
(212) 715-9100

35. 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: May 31, 2013
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*

Kramer Levin Naftalis & Frankel LLP

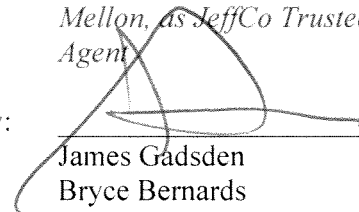
*Attorneys for the JeffCo Holders, solely
in their capacities as beneficial holders
of Insured JeffCo Warrants or as
investment advisers to, or managers of,
funds or accounts that hold Insured
JeffCo Warrants with power to direct
the voting of Insured JeffCo Warrants
held by such funds or accounts, and not
in capacities as holders of any other
claims insured by FGIC*

By: _____
Gary T. Holtzer
Joseph T. Verdesca
767 Fifth Avenue
New York, NY 10153
(212) 310-8000

By: _____
Thomas Moers Mayer
Jonathan M. Wagner
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Carter Ledyard & Milburn LLP

*Attorneys for The Bank of New York
Mellon, as JeffCo Trustee and Fiscal
Agent*

By: _____

James Gadsden
Bryce Bernards
2 Wall Street
New York, NY 10005
(212) 732-3200

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Agent*

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EXHIBIT A

PAYMENT MECHANICS

1. If, on a scheduled interest payment date for Insured JeffCo Warrants¹ or scheduled principal payment date for Insured JeffCo Warrants (each a “**Payment Date**”), there is not on deposit in the Debt Service Fund (as defined in the JeffCo Indenture) or otherwise on deposit with the JeffCo Trustee, after making all transfers and deposits required under the JeffCo Indenture, sufficient moneys available to pay the principal of, and interest on, the Insured JeffCo Warrants Due for Payment (as hereinafter defined) on such Payment Date by reason of Nonpayment (as hereinafter defined), then any registered holder of a Insured JeffCo Warrant may, and the JeffCo Trustee shall, on such Payment Date, submit to FGIC a fully completed and duly executed “**JeffCo Proof of Policy Claim Form**”—which shall be based, in large part, on the Proof of Policy Claim Form applicable to all other Policies, with such modifications as FGIC deems necessary to address the unique terms and conditions of the JeffCo Warrant Policies and the Stipulation—for a Policy Claim with respect to such insufficiency; *provided* that, in the event of any conflict or duplication between any JeffCo Proof of Policy Claim Form or other notice delivered by a registered holder of any such Insured JeffCo Warrants and one delivered by the JeffCo Trustee (including the inclusion in the Policy Claim so made by the JeffCo Trustee of the amount of the Policy Claim so made by such holder), the notice or form, as the case may be, delivered by the JeffCo Trustee shall control; *provided, further*, a JeffCo Proof of Policy Claim Form with respect to a related Payment Date may be submitted at a later time in accordance with Section 4.3A of the Amended Plan without prejudice to the permissibility of such claim.

¹ Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Stipulation regarding Treatment under Plan of Rehabilitation for Financial Guaranty Insurance Company among the Rehabilitator of Financial Guaranty Insurance Company, Financial Guaranty Insurance Company, The Bank of New York Mellon, as successor trustee, The Bank of New York Mellon, as fiscal agent, and certain Jefferson County Warrantholders, dated May 31, 2013 (the “**Stipulation**”), or, if not the Stipulation, the Amended Plan.

2. As used herein: “**Nonpayment**” means the failure of Jefferson County to have provided sufficient funds to the JeffCo Trustee for payment in full of all principal of, and/or interest on, the Insured JeffCo Warrants that are Due for Payment. “**Due for Payment**,” means, when referring to the principal of an Insured JeffCo Warrant, the stated maturity date thereof or the date on which the same shall have been duly called for scheduled mandatory redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by scheduled mandatory redemption), acceleration or other advancement of maturity and means, when referring to interest on an Insured JeffCo Warrant, the stated date for payment of interest.

3. Upon FGIC’s receipt of a JeffCo Proof of Policy Claim Form for a Policy Claim under a JeffCo Warrant Policy, FGIC shall evaluate such submitted Policy Claim to determine, pursuant to the terms of the Amended Plan, including the Restructured Policy Terms, and the Stipulation, whether and to what extent such Claim should be Permitted; *provided, however*, that for the avoidance of doubt, to the extent the JeffCo Trustee has submitted Policy Claims under both a JeffCo Warrant Policy and a separate surety policy issued by FGIC, such Policy Claims shall not constitute Duplicate Claims, for purposes of disallowance pursuant to Section 4.10(viii) of the Amended Plan, on the ground that both Policy Claims arose from the same underlying insured risk of loss. If FGIC determines that all or part of such Claim should not be Permitted, such Claim (or the relevant portion thereof) shall constitute a Disputed Claim and be resolved pursuant to Section 4.6 of the Amended Plan (as limited by the Stipulation). FGIC shall have no obligation to pay any portion of a Disputed Claim unless and until such portion is Permitted pursuant to Section 4.6 of the Amended Plan, to the extent applicable.

4. Following FGIC's determination that all or a portion of a Policy Claim under a JeffCo Warrant Policy is Permitted, FGIC shall pay such Claim or portion, as applicable, pursuant to the terms of the Amended Plan, including the Restructured Policy Terms; *provided, however,* that, notwithstanding anything to the contrary in the JeffCo Warrant Policies, any of the Transaction Documents, or the Amended Plan (including, without limitation, Section 4.7(E) of the Amended Plan), FGIC shall make each such payment (including any payment due by FGIC in respect of Permitted Policy Claims under a JeffCo Warrant Policy on account of a CPP Upward Adjustment) solely by, and the obligations of FGIC to pay any amount pursuant to the JeffCo Warrant Policies (as modified by the Amended Plan and the terms hereof) shall be deemed fully satisfied by FGIC, transferring (by wire transfer of immediately available funds) such amount to the Fiscal Agent for deposit into the FGIC Policy Payments Account (as hereinafter defined) for the Fiscal Agent's distribution of such amounts in accordance with the procedures hereinafter set forth.

5. The Fiscal Agent shall deposit any and all amounts received from FGIC as payment on account of the JeffCo Warrant Policies, other than DPO Accretion Payment Amounts (which are addressed in Paragraph 7 below), into a separate special purpose trust account (referred to herein as the "**FGIC Policy Payments Account**") established by the Fiscal Agent for the benefit of FGIC subject to distribution of such amounts in accordance with the procedures hereinafter set forth. The Fiscal Agent shall at all times maintain exclusive control over the FGIC Policy Payments Account, including the sole right of withdrawal therefrom. The FGIC Policy Payments Account shall not be a part of the Trust Estate (as defined in the JeffCo Indenture) or otherwise subject to the lien under the JeffCo Indenture for all Parity Securities (as defined in the JeffCo Indenture) or otherwise. Funds held in the FGIC Policy Payments Account

shall not be invested by the Fiscal Agent and shall not be applied to satisfy any costs, expenses or liabilities of the JeffCo Trustee or the Fiscal Agent. The fees, expenses and liabilities of the Fiscal Agent for its services as Fiscal Agent in accordance with this Stipulation are governed by a separate agreement between FGIC and the Fiscal Agent. The Fiscal Agent shall keep a complete and accurate record of all funds deposited by the Fiscal Agent into the FGIC Policy Payments Account, all distributions of such funds, and the allocation of such funds to payment of interest on and principal with respect to any Insured JeffCo Warrant. Each registered holder of JeffCo Insured Warrants and FGIC shall have the right to inspect such records at reasonable times upon reasonable notice to the Fiscal Agent. All funds remaining in the FGIC Policy Payments Account one (1) year following the later of (i) the completion of the reconciliation of a timely filed Policy Claim submitted in respect of the final maturity of the JeffCo Insured Warrants in accordance with Section 4.3A(i) of the Amended Plan, which such claim could be filed on or before the final deadline for filing a timely proof of claim contained therein, and (ii) the Final CPP Revaluation, shall promptly be disbursed by the Fiscal Agent to FGIC. FGIC shall have no responsibility for, nor incur any liability in respect of, any act, or any failure to act, by the Fiscal Agent that results in the Fiscal Agent's failure to properly disburse funds to the holders of Insured JeffCo Warrants as provided herein. The Fiscal Agent shall only distribute amounts from the FGIC Policy Payments Account in accordance with Paragraph 6 below.

6. Promptly following, in each instance, (i) determination in accordance with the Amended Plan and the Stipulation that all or any portion of a Policy Claim under a JeffCo Warrant Policy with respect to Insured JeffCo Warrants is Permitted or (ii) notice by FGIC to the JeffCo Trustee of an upcoming payment due by FGIC in respect of Permitted Policy Claims under a JeffCo Warrant Policy on account of a CPP Upward Adjustment (either (i) or (ii)), a

“Payment Event”), and except with respect to payment of DPO Accretion (which is addressed in Paragraph 7 below):

(a) The JeffCo Trustee shall make available to FGIC and the Fiscal Agent the books and records for the Insured JeffCo Warrants maintained by the JeffCo Trustee, including, without limitation, a list of the registered holders of Insured JeffCo Warrants that would, subject to compliance with the requirements set forth herein and in each relevant JeffCo Warrant Policy (as modified by the Amended Plan and the Restructured Policy Terms) (the **“Payment Conditions”**), be entitled to receive payments from amounts drawn under the terms of such JeffCo Warrant Policy as a result of such Payment Event (each, an **“Eligible Holder”** and collectively, the **“Eligible Holders”** with respect to such JeffCo Warrant Policy and such Insured JeffCo Warrants), and FGIC and the Fiscal Agent shall be entitled to rely thereon for all purposes relating to the distributions to be made from the FGIC Policy Payments Account;

(b) The JeffCo Trustee shall, at the time it makes such books and records available to FGIC and the Fiscal Agent, notify each of the Eligible Holders that:

(1) A Payment Event has occurred and, subject to compliance with the Payment Conditions, the Fiscal Agent will disburse to such Eligible Holder its pro rata share (based upon the outstanding principal balance of the series of Insured JeffCo Warrants to which the Payment Event relates then registered in the books and records of the JeffCo Trustee in the name of such Eligible Holder) (**“Pro Rata Share”**) of amounts paid by FGIC under the related JeffCo Warrant Policies and deposited into the FGIC Policy Payments Account in connection with such Payment Event (each, a **“Disbursement”**);

(2) In the event the County hereafter issues, pursuant to Section 5.1(c) of the JeffCo Indenture or any corresponding provision of applicable supplements thereto, Insured JeffCo Warrants that are evidenced by warrant certificates (collectively, “**Certificated Insured JeffCo Warrants**”):

A. As a condition to receiving its Pro Rata Share of a Disbursement relating to a Payment Event arising from or related to a failure by Jefferson County to pay interest when due on Insured JeffCo Warrants (either pursuant to the initial Cash CPP payment or on account of a CPP Upward Adjustment) (an “**Interest Payment Event**”), each Eligible Holder of Certificated Insured JeffCo Warrants must first execute and deliver to the Fiscal Agent an assignment to FGIC, in form and content reasonably satisfactory to FGIC, of all of such Eligible Holder’s rights to payment of such interest, solely to the extent of any cash to be received by such Eligible Holder from such Disbursement, which assignment the Fiscal Agent will then promptly deliver to FGIC; and

B. As a condition to receiving its Pro Rata Share of a Disbursement relating to a Payment Event arising from or related to a failure by Jefferson County to pay principal when due on Insured JeffCo Warrants (either pursuant to the initial Cash CPP payment or on account of a CPP Upward Adjustment) (a “**Principal Payment Event**”), each Eligible Holder of Certificated Insured JeffCo Warrants must first tender to the Fiscal Agent such Eligible Holder’s

Insured JeffCo Warrants, together with an assignment to FGIC, in form and content reasonably satisfactory to FGIC, of all of such Eligible Holder's rights to payment of such principal, solely to the extent of any cash to be received by such Eligible Holder from such Disbursement, in which case the JeffCo Trustee shall authenticate and deliver (i) to the Fiscal Agent (which will then promptly deliver to FGIC) a replacement Certificated Insured JeffCo Warrant (together with the assignment) in the name of FGIC in the principal amount equal to the principal amount received by such Eligible Holder from such Disbursement (without regard to authorized denominations) and (ii) if applicable, to the Eligible Holder a new Certificated Insured JeffCo Warrant in the aggregate principal amount equal to the unredeemed or otherwise unpaid principal amount of the Certificated Insured JeffCo Warrant tendered by such Eligible Holder;

(3) With respect to Insured JeffCo Warrants that are registered in the name of Cede & Co., as nominee of DTC, or are otherwise held in book entry form in accordance with the book entry procedures of Section 5.1 of the JeffCo Indenture and any corresponding provision of applicable supplements thereto (collectively, the "**Book-Entry Insured JeffCo Warrants**"):

A. As a condition to receiving its Pro Rata Share of a Disbursement relating to an Interest Payment Event, the JeffCo Trustee, on behalf of DTC or its successor as the Eligible Holder of Book-Entry Insured JeffCo Warrants, must first execute and deliver

to the Fiscal Agent an assignment to FGIC, in form and content reasonably satisfactory to FGIC, of all of such Eligible Holder's rights to payment of such interest, solely to the extent of any cash to be received by such Eligible Holder from such Disbursement, which assignment the Fiscal Agent will then promptly deliver to FGIC; and

B. As a condition to receiving its Pro Rata Share of a Disbursement relating to a Principal Payment Event, the JeffCo Trustee, on behalf of DTC or its successor as the Eligible Holder of Book-Entry Insured JeffCo Warrants, must first execute and deliver to the Fiscal Agent an assignment to FGIC, in form and content reasonably satisfactory to FGIC, of all of such Eligible Holder's rights to payment of such principal, solely to the extent of any cash to be received by such Eligible Holder from such Disbursement, which assignment the Fiscal Agent will then promptly deliver to FGIC; and

(c) With respect to Certificated Insured JeffCo Warrants, in connection with each Payment Event relating thereto, the Fiscal Agent shall disburse to each Eligible Holder thereof its Pro Rata Share of the Disbursement related to such Payment Event but only upon receipt, in form reasonably satisfactory to FGIC, (1) by the Fiscal Agent of evidence of such Eligible Holder's right to receive such Pro Rata Share (which evidence shall be satisfied by the books and records maintained by the JeffCo Trustee), (2) by the Fiscal Agent of evidence (including without limitation any appropriate instruments of assignment) that all of such Eligible Holder's rights, title and interest in such Insured JeffCo Warrants, including, without limitation, all rights to payment of the related

principal or interest Due for Payment, shall, to the extent of any cash to be received by such Eligible Holder from such Disbursement, thereupon vest in FGIC, (3) in the event of a Disbursement relating to an Interest Payment Event, by FGIC of original written certification from the JeffCo Trustee that (A) it has registered the assignment to FGIC of all of the rights, title and interest described in clause (2) above on the books and records maintained by the JeffCo Trustee and it acknowledges FGIC has become the owner of all of such rights, title and interest and (B) FGIC has been subrogated to the rights of such Eligible Holder thereunder to the extent that any such payment is made by Fiscal Agent from amounts paid by FGIC under the JeffCo Warrant Policies and (4) in the event of a Disbursement relating to a Principal Payment Event, by FGIC of original written certification from the JeffCo Trustee and Fiscal Agent, as applicable, that (A) the JeffCo Trustee has registered the assignment to FGIC of all of the rights, title and interest described in clause (2) above on the books and records maintained by the JeffCo Trustee and the JeffCo Trustee acknowledges FGIC has become the owner of all of such rights, title and interest, (B) FGIC has been subrogated to the rights of such Eligible Holder thereunder to the extent that any such payment is made by the Fiscal Agent from amounts paid by FGIC under the JeffCo Warrant Policies and (C) such Insured JeffCo Warrants, in an aggregate principal amount equal to the principal amount of such Insured JeffCo Warrants paid by the Fiscal Agent from such Disbursement have been transferred to FGIC and are being held by the Fiscal Agent on FGIC's behalf, and will be promptly delivered by the Fiscal Agent to FGIC;

(d) With respect to Book-Entry Insured JeffCo Warrants, in connection with each Payment Event relating thereto, the Fiscal Agent shall disburse to DTC or its

successor as an Eligible Holder of such Book-Entry Insured Warrants its Pro Rata Share of the Disbursement related to such Payment Event but only upon receipt, in form reasonably satisfactory to FGIC, (1) by the Fiscal Agent of evidence of DTC's or its applicable successor's right as an Eligible Holder to receive such Pro Rata Share (which evidence shall be satisfied by the books and records maintained by the JeffCo Trustee), (2) by the Fiscal Agent of evidence (including without limitation any appropriate instruments of assignment from the JeffCo Trustee on behalf of DTC or its applicable successor) that all of the rights, title and interest of DTC or its successor as Eligible Holder in such Insured JeffCo Warrants, including, without limitation, all rights to payment of the related principal or interest Due for Payment shall, to the extent of any cash to be received by such Eligible Holder from such Disbursement, thereupon vest in FGIC, (3) in the event of a Disbursement relating to an Interest Payment Event, by FGIC of original written certification from the JeffCo Trustee that (A) it has registered the assignment to FGIC of all of the rights, title and interest described in clause (2) above on the books and records maintained by the JeffCo Trustee and it acknowledges FGIC has become the owner of all of such rights, title and interest and (B) FGIC has been subrogated to the rights of DTC or its successor as Eligible Holder thereunder to the extent that any such payment is made by the JeffCo Trustee from amounts paid by FGIC under the JeffCo Warrant Policies, and (4) in the event of a Disbursement relating to a Principal Payment Event, by FGIC of original written certification from the JeffCo Trustee that (A) it has registered the assignment to FGIC of all of the rights, title and interest described in clause (2) above on the books and records maintained by the JeffCo Trustee and it acknowledges FGIC has become the owner of all of such rights, title and

interest, (B) FGIC has been subrogated to the rights of DTC or its successor as Eligible Holder thereunder to the extent that any such payment is made by the JeffCo Trustee from amounts paid by FGIC under the JeffCo Warrant Policies and (C) upon written request from FGIC, the JeffCo Trustee will cooperate with FGIC and DTC in FGIC's efforts to cause Jefferson County to make available one or more separate certificates evidencing the Insured JeffCo Warrants, and shall cooperate in FGIC's efforts to cause such warrant certificates as described in the JeffCo Indenture, in the amount of FGIC's beneficial interests, to be issued, authenticated, transferred, exchanged, registered by the JeffCo Trustee in the name of FGIC, and delivered to FGIC; and²

7. All DPO Accretion Payment Amounts related to JeffCo Warrant Policies payable pursuant to the Amended Plan shall be paid by FGIC to the Fiscal Agent, for distribution to the registered holders of the related Insured JeffCo Warrants, and shall not be deposited in the FGIC Policy Payments Account or otherwise be subject to the provisions set forth in Paragraph 6 above.

8. After compliance with the procedures set forth herein, as applicable, the Fiscal Agent shall disburse all DPO Accretion Payment Amounts and all other Disbursements received by the Fiscal Agent to the registered holders of the related Insured JeffCo Warrants in accordance with the terms of the JeffCo Indenture and applicable DTC procedures and in satisfaction of FGIC's obligations under Section 4.11 of the Amended Plan; *provided, however*, such payments shall be made only to holders of JeffCo Insured Warrants other than FGIC in its

² Uncertificated interests of the principal of, or interest on, Insured JeffCo Warrants held by FGIC on the books and records of the JeffCo Trustee pursuant to Paragraph 6(c) or (d) hereof may, from time to time, be transferred by written assignment, in whole, but not in part, by FGIC or any subsequent holder thereof, and the JeffCo Trustee shall record such transfer of uncertificated interests in JeffCo Warrants on the books kept for the registration thereof by the JeffCo Trustee. Upon written request, from time to time, the JeffCo Trustee shall provide written certification of any such transfer and of the ownership of such uncertificated interests as shown on the books and records of the JeffCo Trustee.

capacity as holder of JeffCo Insured Warrants owned as a result of paying Policy Claims under the JeffCo Warrant Policies, without giving effect to any subrogation by FGIC.

9. Amounts withdrawn by the Fiscal Agent from the FGIC Policy Payments Account for payment to any holders of Insured JeffCo Warrants, as provided herein, shall be disbursed by the Fiscal Agent to such holders of Insured JeffCo Warrants. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to the Fiscal Agent and JeffCo Trustee to make such payments.

10. The JeffCo Trustee agrees to use commercially reasonable efforts (at FGIC's sole cost and expense) to (i) request and obtain separate CUSIPS for Insured JeffCo Warrants assigned or to be assigned to FGIC in consideration of payments made by FGIC under Jeffco Warrant Policies and take such other action as may be necessary to cause those Insured JeffCo Warrants assigned to FGIC to be DTC eligible, and (ii) cooperate with FGIC in efforts to cause DTC (X) to act as the security depository for such Insured JeffCo Warrants assigned to FGIC in accordance with DTC's book entry system, and (Y) to recognize FGIC's ownership of such Insured JeffCo Warrants and all of the beneficial interests therein.

11. In addition to the foregoing, and without limiting or waiving any rights of FGIC as the holder of JeffCo Warrants or any of FGIC's direct or indirect rights thereunder or with respect thereto, FGIC shall, to the extent that it directly or indirectly makes payment under any JeffCo Warrant Policies (including from funds disbursed from the FGIC Policy Payments Account) in respect of principal of and/or interest on any Insured JeffCo Warrants, become subrogated to the rights, title and interests of the recipients of such payments and, to evidence such obligation, the JeffCo Trustee shall note FGIC's rights as subrogee on the books and

records maintained by the JeffCo Trustee upon such payment. Notwithstanding anything in the JeffCo Indenture or any of the other Transaction Documents to the contrary, but without altering section 13.3 of the JeffCo Indenture, the JeffCo Trustee shall make payment of such past due interest and past due principal directly to FGIC to the extent that FGIC is a subrogee with respect thereto.

EXHIBIT B

PROPOSED APPROVAL ORDER

AT IAS PART 36 OF THE SUPREME COURT OF THE STATE OF NEW YORK, COUNTY OF NEW YORK, AT THE COURTHOUSE, 60 CENTRE STREET, IN THE COUNTY, CITY AND STATE OF NEW YORK, ON THE ___DAY OF _____, 2013

PRESENT:
HON. DORIS LING-COHAN, J.S.C.

----- X
: Index No. 401265/2012
In the Matter of the Rehabilitation of :
FINANCIAL GUARANTY INSURANCE : **STIPULATION**
COMPANY. : **APPROVAL ORDER**
: :
: Motion Sequence No.
----- X

UPON full consideration of the entire record of the above-captioned rehabilitation proceeding, including the Affirmation of Gary T. Holtzer of Weil, Gotshal & Manges LLP, attorneys for Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York, as the court-appointed rehabilitator (the "**Rehabilitator**") of Financial Guaranty Insurance Company ("**FGIC**"), dated May 31, 2013 (the "**Affirmation**"), in support of an order approving the Stipulation Regarding Treatment under Plan of Rehabilitation for Financial Guaranty Insurance Company among the Rehabilitator of FGIC, FGIC, The Bank of New York Mellon, as successor trustee, The Bank of New York Mellon, as fiscal agent, and certain Jefferson County Warrantholders, dated May 31, 2013, a copy of which is attached to the Affirmation as **Exhibit B** (the "**Stipulation**");

AND upon reading and signing the Order to Show Cause, dated _____, 2013 (the "**Order to Show Cause**");

AND no objection to the relief requested as set forth in the Affirmation having been filed with this Court;

AND due and proper notice having been provided as required by the Order to Show Cause, and no further notice being necessary;

This Court finds that:

- a. The legal and factual bases set forth in the Affirmation establish just and sufficient cause to grant the relief requested; and
- b. The relief requested is in the best interests of FGIC's policyholders and other claimants.

NOW, it is ORDERED as follows:

1. The relief requested, as set forth in the Affirmation, is granted;
2. The Stipulation is approved and is binding on all current and future holders of Insured JeffCo Warrants;¹
3. FGIC's obligations under the JeffCo Warrant Policies are hereby amended to the extent necessary to give effect to the Stipulation; and
4. This Court shall retain exclusive jurisdiction to hear and determine all matters arising out of, or related to, the implementation, interpretation or enforcement of this Order.

E N T E R

J.S.C.

¹ Capitalized terms not defined herein have the meanings ascribed to them in the Affirmation.