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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

RESIDENTIAL CAPITAL, LLC, *et al.*,

Debtors.

RESIDENTIAL CAPITAL, LLC, *et al.*,

Plaintiffs,

v.

ALLSTATE INS. CO. *et al.*,

Defendants.

Case No. 12-12020 (MG)

Chapter 11

Jointly Administered

Adv. Pro. No. 12-01671 (MG)

ANSWER

Huntington Bancshares Inc. (hereinafter, “Huntington” and “Adversary Defendant”), plaintiff-appellant in *Huntington Bancshares Inc. v. Ally Fin. Inc. et al.*, pending in the Minnesota Court of Appeals, Case No. A13-0247 (the “Huntington Action”), and defendant in the above-captioned adversary proceeding (the “Adversary Proceeding”), hereby answers the complaint (the “Adversary Complaint”) [Dkt. #1] filed by the above-captioned debtors and



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debtors-in-possession (the “Debtors”) as plaintiffs in the Adversary Proceeding, and respectfully states as follows:

SUMMARY OF ACTION

1. Based solely upon the allegations set forth in the Adversary Complaint and the other pleadings the Debtors have filed in the Adversary Proceeding, the Adversary Defendant admits that Debtors seek declaratory or injunctive relief as described in allegations set forth in Paragraph 1. To the extent that the allegations set forth in Paragraph 1 can be construed as alleging that the Debtors are entitled to the relief sought or that such relief is warranted, the Adversary Defendant denies such allegations.

2. The Adversary Defendant admits that certain Debtors and certain non-Debtor affiliates have been named as defendants in the Huntington Action and that the operative complaint in the Huntington Action asserts, among other causes of action, claims related to statements made in the Offering Documents associated with certain securitizations of residential mortgage-backed securities (“RMBS”). The Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 2.

3. The Adversary Defendant admits only that certain of the non-Debtor affiliates and certain of the Debtors’ former directors and officers are named as defendants in the Huntington Action. The Adversary Defendant denies the remaining allegations set forth in Paragraph 3 with respect to the Huntington Action. The Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 3 with respect to any action or proceeding other than the Huntington Action.

4. The Adversary Defendant admits that, absent relief, the automatic stay under Section 362(a) of the Bankruptcy Code would stay the Huntington Action solely as against the Debtors. To the extent that the remainder of the allegations set forth in Paragraph 4 are not legal argument or legal conclusions, which do not require a response, the Adversary Defendant denies such allegations with respect to the Huntington Action and is without knowledge or information sufficient to form a belief as to the truth of such allegations with respect to any other action or proceeding.

5. The Adversary Defendant admits that the Huntington Action, and its operative complaint, alleges that Debtors and their non-Debtor affiliates were part of a vertically-integrated securitization chain that utilized Offering Documents containing material misrepresentations to defraud investors like Huntington into purchasing their high-risk RMBS. To the extent that the remainder of the allegations set forth in Paragraph 5 is not legal argument or legal conclusions, which do not require a response, the Adversary Defendant denies such allegations with respect to the Huntington Action and refers to the operative complaint for a full description of the claims asserted therein against the non-Debtor affiliates. The Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of such allegations with respect to any other action or proceeding.

6. To the extent that the allegations set forth in Paragraph 6 are not legal argument or legal conclusions, which do not require a response, the Adversary Defendant denies such allegations with respect to the Huntington Action and is without knowledge or information sufficient to form a belief as to the truth of such allegations with respect to any other action or proceeding.

7. To the extent that the allegations set forth in Paragraph 7 are not legal argument or legal conclusions, which do not require a response, the Adversary Defendant denies such allegations with respect to the Huntington Action and is without knowledge or information sufficient to form a belief as to the truth of such allegations with respect to any other action or proceeding.

JURISDICTION AND VENUE

8. To the extent that the allegations set forth in Paragraph 8 are not legal argument or legal conclusions, which do not require a response, the Adversary Defendant denies such allegations with respect to the Huntington Action and is without knowledge or information sufficient to form a belief as to the truth of such allegations with respect to any other action or proceeding. Pursuant to Bankruptcy Rule 7012(b), the Adversary Defendant states that it does not consent to the entry of final judgment by the Bankruptcy Court as to non-core matters.

9. To the extent that the allegations set forth in Paragraph 9 are not legal argument or legal conclusions, which do not require a response, the Adversary Defendant denies such allegations with respect to the Huntington Action and is without knowledge or information sufficient to form a belief as to the truth of such allegations with respect to any other action or proceeding.

10. The Adversary Defendant admits that, in the Adversary Complaint, the Debtors seek relief under Sections 362(a)(1) and (3) and 105(a) of Title 11 of the United States Code (the “Bankruptcy Code”) and Rule 7065 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”). To the extent that the allegations set forth in Paragraph 10 can be construed as alleging that the Debtors are entitled to the relief sought, or that any provision of the Bankruptcy Code or Bankruptcy Rules warrants or justifies such relief, and to the extent that

such allegations are not legal argument or legal conclusions, which do not require a response, the Adversary Defendant denies such allegations with respect to the Huntington Action. The Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of such allegations with respect to any other action or proceeding.

PARTIES

11. The Adversary Defendant admits the allegation set forth in Paragraph 11.

12. The Adversary Defendant admits only that it is the plaintiff in the Huntington Action, that it is listed on Exhibit A to the Adversary Complaint, and that the Huntington Action is listed on Exhibit B to the Adversary Complaint. The Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 12 with respect to any other action or proceeding.

BACKGROUND AND FACTS

13. Based solely upon a review of the docket in the Debtors' Chapter 11 bankruptcy cases (the "Bankruptcy Cases"), the Adversary Defendant denies that an examiner has not been appointed in the Bankruptcy Cases and admits the remaining allegations set forth in Paragraph 13.

14. Based solely upon a review of the docket in the Bankruptcy Cases, the Adversary Defendant admits the allegations set forth in Paragraph 14.

15. The Adversary Defendant admits that the Debtors are indirectly owned by Ally Financial Inc., which is not a Debtor, and that the Whitlinger Affidavit in Support of Chapter 11 Petitions and First Day Pleadings, *In re Residential Capital, LLC*, Case No. 12-12020-MG (Bankr. S.D.N.Y. May 14, 2012), ECF No. 6 (the "Whitlinger Affidavit"), contains a description of the Debtors, including their business operations, their capital and debt structure, and the

events leading to the filing of the Bankruptcy Cases. To the extent that Paragraph 15 makes any allegations relating to the accuracy of the information contained in the Whitlinger Affidavit, and with respect to any other allegations set forth in Paragraph 15, the Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of such allegations.

16. The Adversary Defendant admits only that, absent relief, the automatic stay under Section 362(a) of the Bankruptcy Code stays the Huntington Action as against the Debtors, that certain of the non-Debtor affiliates are currently named as defendants in the Huntington Action, and that the Adversary Defendant intends to pursue its claims against such non-Debtor affiliates. The Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 16.

17. The Adversary Defendant admits only that with respect to the Huntington Action, the Adversary Defendant seeks damages for alleged violations of Minnesota securities laws, as well as common law fraud and negligent misrepresentation in connection with purchases of RMBS, and refers to the operative complaint in the Huntington Action for an accurate description of the claims set forth therein. The Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 17.

Rep & Warranty Cases

18. The Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 18.

19. The Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 19.

20. The Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 20.

21. The Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 21.

22. The Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 22.

23. The Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 23.

PLS Investor Cases

24. The Adversary Defendant admits that Ally Securities, Ally Financial, GMACM Group, and Ally Bank are named in the Huntington Action. The Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 24.

25. The Adversary Defendant admits that the defendants in the Huntington Action utilized Offering Documents containing material misrepresentations to sell risky RMBS to investors. The Adversary Defendant denies the remaining allegations set forth in Paragraph 25 with respect to the Huntington Action, refers to the operative complaint in the Huntington Action for an accurate description of the allegations and claims set forth therein, and is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations set forth in Paragraph 25 with respect to any other action or proceeding.

26. The Adversary Defendant denies the allegations set forth in Paragraph 26 with respect to the Huntington Action and refers to the operative complaint in the Huntington Action for an accurate description of the allegations and claims set forth therein. The Adversary

Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 26 with respect to any other action or proceeding.

27. The Adversary Defendant denies the allegations set forth in Paragraph 27 with respect to the Huntington Action and refers to the operative complaint in the Huntington Action for an accurate description of the allegations and claims set forth therein. The Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 27 with respect to any other action or proceeding.

28. The Adversary Defendant denies the allegations set forth in Paragraph 28 with respect to the Huntington Action and refers to the operative complaint in the Huntington Action for an accurate description of the allegations and claims set forth therein. The Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 28 with respect to any other action or proceeding.

29. The Adversary Defendant admits that discovery has not begun in the Huntington Action and denies the remaining allegations set forth in Paragraph 29 with respect to the Huntington Action. The Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 29 with respect to any other action or proceeding.

FHFA Case

30. The Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 30.

31. The Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 31.

32. The Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 32.

33. The Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 33.

34. The Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 34.

CONTINUATION OF THE MBS ACTIONS AGAINST NON-DEBTOR AFFILIATES

35. The Adversary Defendant denies the allegations set forth in Paragraph 35 with respect to the Huntington Action and is without knowledge or information sufficient to form a belief as to the truth of such allegations as to any other action or proceeding.

36. To the extent that the allegations set forth in Paragraph 36 are not legal argument or legal conclusions, which do not require a response, the Adversary Defendant denies such allegations with respect to the Huntington Action and is without knowledge or information sufficient to form a belief as to the truth of such allegations with respect to any other action or proceeding.

37. To the extent that the allegations set forth in Paragraph 37 are not legal argument or legal conclusions, which do not require a response, the Adversary Defendant denies such allegations with respect to the Huntington Action and is without knowledge or information sufficient to form a belief as to the truth of such allegations with respect to any other action or proceeding.

38. To the extent that the allegations set forth in Paragraph 38 are not legal argument or legal conclusions, which do not require a response, the Adversary Defendant denies such allegations with respect to the Huntington Action and is without knowledge or information

sufficient to form a belief as to the truth of such allegations with respect to any other action or proceeding.

39. To the extent that the allegations set forth in Paragraph 39 are not legal argument or legal conclusions, which do not require a response, the Adversary Defendant denies such allegations with respect to the Huntington Action and is without knowledge or information sufficient to form a belief as to the truth of such allegations with respect to any other action or proceeding.

NATURE OF RELIEF REQUESTED

40. The Adversary Defendant admits that through the Adversary Complaint, the Debtors seek the relief described in Paragraph 40. To the extent that the allegations set forth in Paragraph 40 can be construed as alleging that the Debtors are entitled to the relief requested, or that any provision in the Bankruptcy Code or Bankruptcy Rules warrants or justifies such relief, the Adversary Defendant denies such allegations.

FIRST CLAIM FOR RELIEF **(Section 362 Declaratory Judgment)**

41. The Adversary Defendant repeats its responses to the allegations set forth in Paragraphs 1 through 40 as if fully set forth herein.

42. The Adversary Defendant admits that the Debtors seek the relief described in Paragraph 42. To the extent that the allegations set forth in Paragraph 42 can be construed as alleging that the Debtors are entitled to the relief sought, or that any provision of the Bankruptcy Code or Bankruptcy Rules warrants or justifies such relief, the Adversary Defendant denies such allegations.

43. To the extent that the allegations set forth in Paragraph 43 are not legal argument or legal conclusions, which do not require a response, the Adversary Defendant denies such allegations with respect to the Huntington Action and is without knowledge or information sufficient to form a belief as to the truth of such allegations with respect to any other action or proceeding.

44. To the extent that the allegations set forth in Paragraph 44 are not legal argument or legal conclusions, which do not require a response, the Adversary Defendant denies such allegations with respect to the Huntington Action and is without knowledge or information sufficient to form a belief as to the truth of such allegations with respect to any other action or proceeding.

45. To the extent that the allegations set forth in Paragraph 45 are not legal argument or legal conclusions, which do not require a response, the Adversary Defendant denies such allegations with respect to the Huntington Action and is without knowledge or information sufficient to form a belief as tot the truth of such allegations with respect to any other action or proceeding.

46. To the extent that the allegations set forth in Paragraph 46 are not legal argument or legal conclusions, which do not require a response, the Adversary Defendant denies such allegations with respect to the Huntington Action and is without knowledge or information sufficient to form a belief as to the truth of such allegations with respect to any other action or proceeding.

47. The Adversary Defendant denies the allegations set forth in Paragraph 47 with respect to the Huntington Action and is without knowledge or information sufficient to form a belief as to the truth of such allegations with respect to any other action or proceeding.

48. The Adversary Defendant admits that the Debtors seek a declaratory judgment extending the automatic stay under Sections 362(a)(1) and (3) of the Bankruptcy Code to the continued prosecution of the MBS Actions (as defined in the Adversary Complaint), including the Huntington Action, against the non-Debtor affiliates. To the extent that the allegations set forth in Paragraph 48 can be construed as alleging that the Debtors are entitled to the relief sought, or that any provision of the Bankruptcy Code or Bankruptcy Rules warrants or justifies such relief sought, the Adversary Defendant denies such allegation.

SECOND CLAIM FOR RELIEF
(Section 105 Injunctive Relief)

49. The Adversary Defendant repeats its responses to the allegations set forth in Paragraphs 1 through 48 as if fully set forth herein.

50. The Adversary Defendant admits that the Debtors seek an injunction enjoining the continued prosecution of the MBS Actions, including the Huntington Action, against the non-Debtor affiliates under Section 105(a) of the Bankruptcy Code until the effective date of a restructuring plan or further order of the Court. To the extent that the allegations set forth in Paragraph 50 can be construed as alleging that the Debtors are entitled to the relief sought, or that any provision of the Bankruptcy Code or Bankruptcy Rules warrants or justifies such relief, the Adversary Defendant denies such allegations.

51. The Adversary Defendant admits the allegation set forth in Paragraph 51.

52. The Adversary Defendant is without knowledge or information sufficient to form belief as to the truth of the allegations set forth in Paragraph 52 and denies that any such relief is appropriate as requested in the Adversary Proceeding.

53. To the extent that the allegations set forth in Paragraph 53 are not legal argument or legal conclusions, which do not require a response, the Adversary Defendant denies

such allegations with respect to the Huntington Action and is without knowledge or information sufficient to form a belief as to the truth of such allegations with respect to any other action or proceeding.

54. To the extent that the allegations set forth in Paragraph 54 are not legal argument or legal conclusions, which do not require a response, the Adversary Defendant denies such allegations with respect to the Huntington Action, refers to Section 105 of the Bankruptcy Code and the “applicable case law” for the terms thereof, and is without knowledge or information sufficient to form a belief as to the truth of such allegations with respect to any other action or proceeding.

55. The Adversary Defendant denies the allegations set forth in Paragraph 55 with respect to the Huntington Action and is without knowledge or information sufficient to form a belief as to the truth of such allegations with respect to any other action or proceeding.

56. To the extent that the allegations set forth in Paragraph 56 are not legal argument or legal conclusions, which do not require a response, the Adversary Defendant denies such allegations with respect to the Huntington Action and is without knowledge or information sufficient to form a belief as to the truth of such allegations with respect to any other action or proceeding.

57. The Adversary Defendant denies the allegations set forth in Paragraph 57 with respect to the Huntington Action and is without knowledge or information sufficient to form a belief as to the truth of such allegations with respect to any other action or proceeding.

58. The Adversary Defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations set forth in Paragraph 58.

59. The Adversary Defendant denies the allegations set forth in Paragraph 59 with respect to the Huntington Action and is without knowledge or information sufficient to form a belief as to the truth of the allegations with respect to any other action or proceeding.

60. The Adversary Defendant admits that the Debtors seek the relief described in Paragraph 60. To the extent that the allegations set forth in Paragraph 60 can be construed as alleging that the Debtors are entitled to the relief sought, or that any provision of the Bankruptcy Code or Bankruptcy Rules warrants or justifies such relief, the Adversary Defendant denies such allegations.

FIRST AFFIRMATIVE DEFENSE

The Court is without subject matter jurisdiction over this matter, and the Adversary Defendant reserves its right to move to withdraw the reference as to the Adversary Proceeding and related proceedings pursuant to 28 U.S.C. § 157(d).

SECOND AFFIRMATIVE DEFENSE

The Adversary Complaint fails to state a claim upon which relief may be granted.

THIRD AFFIRMATIVE DEFENSE

Sections 362(a)(1) and (3) of the Bankruptcy Code do not provide for a stay of prosecution of the Huntington Action against any party other than the Debtors.

FOURTH AFFIRMATIVE DEFENSE

The Debtors fail to adequately plead or satisfy the requirements for a declaratory judgment extending the automatic stay to the continued prosecution of the Huntington Action against the non-Debtor affiliates.

FIFTH AFFIRMATIVE DEFENSE

The Debtors fail to adequately plead or satisfy the requirements for the extraordinary remedy of injunctive relief in favor of the non-Debtor affiliates.

SIXTH AFFIRMATIVE DEFENSE

The Adversary Complaint fails to establish that the Debtors will be irreparably harmed if the Huntington Action continues against the non-Debtor Affiliates.

SEVENTH AFFIRMATIVE DEFENSE

The indemnification obligations, if any, of the Debtors are insufficient to justify or warrant the extraordinary remedy of injunctive relief in favor of the non-Debtor affiliates.

EIGHTH AFFIRMATIVE DEFENSE

The risk of collateral estoppel, *stare decisis*, issue preclusion, and/or adverse evidentiary findings does not compel the Debtors to participate in the Huntington Action.

NINTH AFFIRMATIVE DEFENSE

To the extent that the Debtors assert that any insurance policies potentially providing coverage for the claims asserted by the Adversary Defendant in the Huntington Action, and/or the proceeds thereof, are property of the Debtors' estate and thus implicate Section 362(a) of the Bankruptcy Code, the Adversary Defendant asserts that such policies and proceeds are not property of the estate and that there has been no finding by this or any other court that such policies and proceeds are property of the estate.

TENTH AFFIRMATIVE DEFENSE

Enjoining the continuation of the Huntington Action as against the non-Debtor affiliates is contrary to the public interest.

ELEVENTH AFFIRMATIVE DEFENSE

The Adversary Defendant is without knowledge or information sufficient to form a belief as to whether they may have additional, as-yet unstated, defenses available and reserve the right to assert additional defenses that may arise during the course of the Adversary Proceeding.

WHEREFORE, based upon the foregoing, the Adversary Defendant respectfully requests that this Court enter judgment:

1. denying the Debtors' request for a declaratory judgment extending the automatic stay under Section 362 of the Bankruptcy Code to the continued prosecution of the Huntington Action against non-Debtors;
2. denying injunctive relief;
3. dismissing the Adversary Complaint with prejudice; and
4. granting such other and further relief as the Court deems just and proper.

Dated: May 31, 2013

GRANT & EISENHOFER P.A.

/s/ Matthew P. Morris

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CERTIFICATE OF SERVICE

I, Matthew P. Morris, hereby certify that, on the 31st day of May, 2013, I caused true copies of the *Answer* to be served through the Court's CM/ECF system upon all registered electronic filers appearing in these cases, and by first class mail, postage prepaid, and by electronic mail, upon the parties set forth below.

/s/ Matthew P. Morris

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