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FGIC Announces Second Quarter 2010 Statutory-Basis Results Statutory Deficit Increases to \$1.69 Billion

August 11, 2010 – New York, NY – Financial Guaranty Insurance Company (“FGIC”) today announced a net loss of \$16.1 million for the quarter ended June 30, 2010. The net loss resulted primarily from loss and loss adjustment expenses of \$88.7 million (net of reinsurance) for the quarter. The loss and loss adjustment expense related principally to FGIC’s exposure to residential mortgage-backed securities (“RMBS”). The RMBS was insured by FGIC primarily in 2005, 2006 and 2007, and the RMBS performance continued to deteriorate during the second quarter. As of June 30, 2010, FGIC’s statutory deficit was \$1.687 billion and its capital impairment was \$1.753 billion, in each case reflecting an increase of \$46.6 million during the quarter.

As previously announced, due to FGIC’s statutory deficit and capital impairment, FGIC is subject to an order issued by the New York State Insurance Department (the “NYID”) pursuant to Section 1310 of the New York Insurance Law, requiring FGIC to suspend paying any and all claims effective November 24, 2009, and to take such steps as may be necessary to remove the impairment of its capital and to return to compliance with its minimum surplus to policyholders’ requirement.. FGIC is continuing its efforts to effectuate the Surplus Restoration Plan that it submitted to the NYID on March 25, 2010, including the offer to exchange by Sharps SP I LLC certain RMBS and asset-backed securities insured by FGIC for a cash payment and cash flow trust certificates, which is described in a separate press release issued today by Sharps SP I LLC. No assurance can be given that the transactions comprising FGIC’s Surplus Restoration Plan, including the offer to exchange referenced above, will be consummated on the terms contemplated or at all.

Financial Statements

Copies of FGIC’s statutory financial statements and its Annual and Quarterly Statements filed with the NYID can be found on FGIC's website at www.fgic.com.

About FGIC

FGIC is a wholly owned subsidiary of FGIC Corporation, an insurance holding company that filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code in August 2010. Please visit www.fgic.com.

Forward-Looking Statements

- This press release contains “forward-looking statements” - that is, statements related to possible future events. Forward-looking statements often address expectations and beliefs as to future performance, results and business plans. You should not place undue reliance on forward-looking statements, because they speak only as of the date they are made and are necessarily subject to risks and uncertainties that could cause actual results and performance to differ materially from those expressed or implied by FGIC’s forward-looking statements. Among the factors that could cause FGIC’s actual results or performance to differ are, without limitation: (1) FGIC’s ability to consummate the transactions contemplated by the commitment and support agreement with certain counterparties to FGIC-insured credit default swaps (“CDS”), to close the offer to exchange and to successfully achieve the goals of the final surplus restoration plan presented to the NYID, in each case, within the time frame and on the terms required by the NYID or otherwise; (2) FGIC’s current negative policyholders’ surplus and FGIC’s ability to restore and maintain the statutory required minimum policyholders’ surplus even if it closes the offer to exchange and other contemplated restructuring transactions; (3) the extent to which FGIC is able to pursue and achieve other strategic alternatives, either with or without the participation of potential investors and other third parties; (4) the results of other loss mitigation efforts; (5) a decision by the NYID or FGIC’s other regulators to take further regulatory action such as rehabilitation or liquidation of FGIC by the NYID at any time due to FGIC’s current failure to maintain the statutory required minimum policyholders’ surplus or otherwise; (6) legislative and regulatory developments within the United States and abroad, including the effect of new pronouncements by accounting authorities; (7) fluctuations in the economic, credit, interest rate or other environments in the United States or abroad; (8) potential consequences of FGIC’s continued suspension of all future claim payments by order of the NYID and/or FGIC’s inability to recommence claim payments or other delay in its commencement of claim payments or payment in full of due and unpaid amounts under its policies, including the risk of triggering defaults under certain FGIC- or FGIC UK Ltd.-insured CDS contracts, the loss of access and control rights under certain FGIC-insured transactions and the withholding or subordination of premiums or reimbursement amounts owed to FGIC; (9) impact on FGIC, including its ownership, operations and management, due to FGIC Corporation’s filing under Chapter 11 of the U.S. Bankruptcy Code and changes in the ownership, operations, directors or management of FGIC Corporation; (10) higher losses on FGIC-insured obligations due to deterioration in the performance of residential mortgage loans or otherwise; (11) possible defaults and/or additional ratings downgrades or other adverse actions with respect to mortgage-backed securities or other obligations insured by FGIC; (12) the commencement of new litigation or the outcome of current and new litigation; (13) further deterioration in general economic conditions, including as a result

of the financial crisis as well as inflation, interest rates, foreign currency exchange rates and other factors and the effects of disruption or economic contraction due to catastrophic events or terrorist acts; and (14) other risks and uncertainties that have not been identified by FGIC at this time. Forward-looking statements are based upon FGIC's current expectations and beliefs concerning future events. FGIC undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.