

September 18, 2024

FOR IMMEDIATE RELEASE

FGIC Announces the New York State Department of Financial Services Does Not Support the Proposed Accelerated Run-Off Transaction Under the Transaction Support Agreement

On February 29, 2024, Financial Guaranty Insurance Company (“**FGIC**”) announced that it had entered into a transaction support agreement dated as of February 29, 2024 (the “**Transaction Support Agreement**”), with certain holders of outstanding FGIC-insured securities and units issued by the Custodial Trusts holding Puerto Rico-related securities insured by FGIC (“**Units**”), regarding a potential transaction that would accelerate the run-off of FGIC’s insured portfolio pursuant to the First Amended Plan of Rehabilitation for FGIC, dated June 4, 2013 (the “**Rehabilitation Plan**”), in a re-opened rehabilitation proceeding, subject to support by the New York State Department of Financial Services (the “**NYSDFS**”) and approval by the Supreme Court of the State of New York (the “**Proposed Transaction**”). A copy of this Transaction Support Agreement is available on FGIC’s website at www.fgic.com/proposedacceleratedrunoff/.

As a result of the joinder process completed by FGIC earlier this year, approximately 735 beneficial owners of outstanding FGIC-insured securities and Units are now party to the Transaction Support Agreement, representing beneficial ownership of approximately 85% of the total amount of initial permitted policy distributions estimated to be payable by FGIC to satisfy and discharge its policies pursuant to the Proposed Transaction (net of amounts allocable to FGIC-insured securities owned by FGIC). Further details on this support are available on FGIC’s website at www.fgic.com/proposedacceleratedrunoff/.

On September 10, 2024, following the NYSDFS’s review of the Proposed Transaction and information submitted by FGIC, FGIC received a written communication from the NYSDFS stating that the NYSDFS does not support the Proposed Transaction. In conversations with FGIC regarding this decision, the NYSDFS expressed concerns about (among other things) seeking to effectuate the discharge and/or novation of FGIC’s insurance policies pursuant to the terms of the Proposed Transaction in a judicial rehabilitation proceeding pursuant to Article 74 of the New York Insurance Law, based on (among other things) the NYSDFS viewing FGIC as a solvent insurance company operating in accordance with the terms of the Rehabilitation Plan.

At this time, the Transaction Support Agreement remains effective. FGIC is assessing its options in light of the NYSDFS’s decision, including (among other things) whether it still may be possible to pursue the Proposed Transaction or a modified version of such transaction, as well as whether there may be opportunities to discharge insured exposures pursuant to value-enhancing consensual transactions not requiring a judicial proceeding (subject to the terms of the Rehabilitation Plan) or whether FGIC should merely continue to administer the long-term run-off of its outstanding insurance policies in accordance with the terms of the Rehabilitation Plan.

About FGIC

FGIC is a New York stock insurance corporation and a wholly owned subsidiary of FGIC Corporation. FGIC emerged from rehabilitation on August 19, 2013, and is responsible for administering its outstanding insurance policies in accordance with the terms of the Rehabilitation Plan. Please visit www.fgic.com.

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Weil, Gotshal & Manges LLP is serving as counsel and Houlihan Lokey Capital, Inc. is serving as financial advisor.

FORWARD-LOOKING STATEMENTS

This notice 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 such forward-looking statements. Forward-looking statements are based upon FGIC management’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.