

2014 ANNUAL CPP REVALUATION NOTICE

The operations of Financial Guaranty Insurance Company (“FGIC”) are subject in all respects to the terms of the First Amended Plan of Rehabilitation for FGIC, dated June 4, 2013 (together with all exhibits and supplements thereto, as the same may be modified from time to time, the “Plan”).¹ This notice is being provided pursuant to Section 7.11(A)(c) of the Plan.

On August 19, 2013, the Effective Date of the Plan, the Superintendent of Financial Services of the State of New York, in his capacity as the court-appointed rehabilitator of FGIC (the “Rehabilitator”), set the initial CPP under the Plan at 17% (the “Initial CPP”). The Plan requires FGIC to conduct a CPP Revaluation to re-evaluate the CPP on an annual basis (commencing in 2014), based on Run-Off Data as of the end of the preceding calendar year, to determine whether, pursuant to the procedures set forth in the restructured policy terms attached to the Plan as Exhibit B (the “Restructured Policy Terms”) and consistent with the Run-Off Principles, the CPP should remain the same or be adjusted upward or downward.

FGIC engaged Houlihan Lokey Financial Advisors, Inc., as the 2014 CPP Revaluation Firm (herein so called) to work with the Board in developing the 2014 annual CPP Revaluation under Section 1.5 of the Restructured Policy Terms (the “2014 CPP Revaluation”). The 2014 CPP Revaluation is based on FGIC’s statutory income statement, balance sheet and cash flows as of December 31, 2013, adjusted to take into account certain subsequent transactions and events (including FGIC’s initial cash payment of Permitted Policy Claims in January 2014 and the consummation of FGIC’s and the trustee’s settlements with Bank of America/Countrywide in the second quarter of 2014). The 2014 CPP Revaluation projects, among other things, losses under FGIC’s outstanding Policies under a Base Scenario and a Stress Scenario from January 1, 2014 through the scheduled expiration of FGIC’s longest-dated Policy in 2049.

In connection with the 2014 CPP Revaluation, FGIC filed a CPP Revaluation Filing with the NYSDFS prior to June 30, 2014 (as required by Section 1.5(C) of the Restructured Policy Terms). Factors considered by the 2014 CPP Revaluation Firm and FGIC in the Stress Scenario for the 2014 CPP Revaluation include events that occurred after the Initial CPP was set and on or prior to December 31, 2013 or, in certain cases, the time of the CPP Revaluation Filing (including completion by FGIC of various Policy terminations and commutations, restructurings and litigation settlements (including the Bank of America/Countrywide settlements) and prepayment of certain securities insured by FGIC), increased projected losses for certain insured exposures (including Detroit and Puerto Rico), increased Minimum Cash Buffer, decreased projected investment income, and increased projected operating expenses.

After having met with FGIC and its advisers and after having requested and obtained additional information relating to FGIC’s CPP Revaluation Filing, on October 24, 2014, the NYSDFS approved a CPP Upward Adjustment to 21%. Such CPP Upward Adjustment took effect on October 24, 2014.

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

Under the Base Scenario in the 2014 CPP Revaluation (which gives effect to the 21% CPP approved by the NYSDFS), the CPP is projected to increase over time, ultimately to about 64% after giving effect to the final distribution of all available assets to holders of Permitted Policy Claims in 2049. This projected increase in the Base Scenario arises because, among other things, (i) losses are projected to be realized at levels below those projected in the Stress Scenario, (ii) investment income is projected to be generated at levels above those projected in the Stress Scenario, (iii) expenses are projected to be incurred at levels below those projected in the Stress Scenario, and (iv) the Minimum Cash Buffer is decreased below the level used in the Stress Scenario.

The Stress Scenario and Base Scenario figures and other information herein are referred to collectively as the “2014 Revised Recovery Estimates”.

DISCLAIMER

The 2014 Revised Recovery Estimates are provided for informational purposes only, based on forecasts of key economic variables and may be significantly impacted by, among other factors, changes in housing and financial markets, interest rates, employment rates, and the ability or willingness of public finance obligors to make their insured debt service payments. Accordingly, the estimates and assumptions underlying the 2014 Revised Recovery Estimates are inherently uncertain and subject to significant business, economic and other risks and uncertainties. Therefore, the 2014 Revised Recovery Estimates are not necessarily indicative of current values or future performance of FGIC, which may be significantly less or more favorable than set forth herein, and therefore should not be relied upon for any purpose.

THE 2014 REVISED RECOVERY ESTIMATES WERE NOT PREPARED TO COMPLY WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND THE RULES AND REGULATIONS OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

MOREOVER, THE 2014 REVISED RECOVERY ESTIMATES CONTAIN CERTAIN STATEMENTS THAT ARE “FORWARD-LOOKING STATEMENTS” WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THESE STATEMENTS ARE SUBJECT TO A NUMBER OF ASSUMPTIONS, RISKS AND UNCERTAINTIES, MANY OF WHICH ARE BEYOND THE CONTROL OF FGIC, INCLUDING RISKS AND UNCERTAINTIES DIRECTLY OR INDIRECTLY RELATING TO OR AFFECTING, AMONG OTHER THINGS, PLAN IMPLEMENTATION, AMOUNTS OR TIMING OF FUTURE PERMITTED CLAIMS, AMOUNTS OR TIMING OF RECOVERIES BY FGIC OR ITS COLLECTION OF PREMIUMS, REINSURANCE, SALVAGE, REIMBURSEMENTS OR OTHER AMOUNTS DUE TO IT, FGIC’S OPERATING EXPENSES, RETURNS ON FGIC’S INVESTMENT PORTFOLIO, AVAILABILITY AND UTILIZATION OF NET OPERATING LOSS CARRYFORWARDS, CHANGES IN LAW OR REGULATION, REGULATORY ACTION OR UNANTICIPATED ADMINISTRATIVE DEVELOPMENTS OR INTERPRETATION, OR FUTURE

DOWNWARD OR UPWARD ADJUSTMENTS OF THE CPP, AND CREDITORS' RECOVERIES UNDER THE PLAN.

POLICYHOLDERS AND OTHER PARTIES IN INTEREST ARE CAUTIONED THAT THE FORWARD-LOOKING STATEMENTS SPEAK AS OF THE DATE MADE AND ARE NOT GUARANTIES OF FUTURE PERFORMANCE OR RECOVERIES. ACTUAL RESULTS OR DEVELOPMENTS MAY DIFFER MATERIALLY FROM THE EXPECTATIONS EXPRESSED OR IMPLIED IN THE FORWARD-LOOKING STATEMENTS, AND FGIC AND THE 2014 CPP REVALUATION FIRM UNDERTAKE NO OBLIGATION TO UPDATE ANY SUCH STATEMENTS.

THE 2014 REVISED RECOVERY ESTIMATES, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES, ASSUMPTIONS AND PROJECTIONS WHICH MAY NOT BE REALIZED AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, INDUSTRY, REGULATORY, LEGAL, MARKET AND FINANCIAL UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE CONTROL OF FGIC. FGIC CAUTIONS THAT NO REPRESENTATIONS OR WARRANTIES OF ANY NATURE WHATSOEVER CAN BE MADE OR ARE MADE BY FGIC, THE 2014 CPP REVALUATION FIRM OR ANY OTHER PERSON AS TO THE 2014 REVISED RECOVERY ESTIMATES OR AS TO WHETHER, OR THE LIKELIHOOD, THAT THE PROJECTED RESULTS MAY OR MAY NOT OCCUR. SOME ASSUMPTIONS, ESTIMATES AND PROJECTIONS INEVITABLY WILL BE INCORRECT. MOREOVER, EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE 2014 REVISED RECOVERY ESTIMATES WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED, OR, ALTERNATIVELY, MAY HAVE BEEN UNANTICIPATED, AND THUS THE OCCURRENCE OF THESE EVENTS MAY AFFECT FINANCIAL RESULTS IN A MATERIALLY ADVERSE OR MATERIALLY BENEFICIAL MANNER.

FGIC AND THE 2014 CPP REVALUATION FIRM DO NOT INTEND AND UNDERTAKE NO OBLIGATION TO UPDATE OR OTHERWISE REVISE THE 2014 REVISED RECOVERY ESTIMATES TO REFLECT EVENTS OR CIRCUMSTANCES EXISTING OR ARISING AFTER THE DATE THE 2014 REVISED RECOVERY ESTIMATES WERE PREPARED OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS OR CIRCUMSTANCES.

FOR THE REASONS DESCRIBED ABOVE, THE 2014 REVISED RECOVERY ESTIMATES MAY NOT BE RELIED UPON AS A GUARANTEE OR OTHER ASSURANCE OF ANY NATURE OF ACTUAL RESULTS THAT MAY OR MAY NOT OCCUR. POLICYHOLDERS AND OTHER PARTIES IN INTEREST ARE RESPONSIBLE FOR MAKING THEIR OWN ASSESSMENT OF POTENTIAL RECOVERIES UNDER THE PLAN, AND SHOULD CONSULT WITH THEIR OWN ADVISORS IN THIS REGARD.

The 2014 Revised Recovery Estimates should be read in conjunction with the qualifications, risks and uncertainties referred to above, as well as the specific terms,

requirements and conditions of the Plan (including the Plan Supplement and related agreements) and orders of the Rehabilitation Court (which are posted on the Policyholder Information Center at www.fgic.com/policyholderinfocenter/), in each case in their entirety, and the historical financial statements (including the notes and schedules thereto) and other financial information posted at www.fgic.com/investorrelations/financialreports/.