

FGIC – Transaction Support Agreement Frequently Asked Questions (“FAQs”)

Updated as of May 29, 2024:

Updated Early Joinder Fee Deadline of June 12, 2024 at 5:00 P.M. New York City Time

Updated Certification Deadline of June 27, 2024 at 5:00 P.M. New York City Time

Introduction

On February 29, 2024, Financial Guaranty Insurance Company (“**FGIC**”) announced in a press release (the “**Press Release**”) that it has entered into a transaction support agreement (the “**Transaction Support Agreement**”) with an ad hoc group of holders of certain outstanding FGIC-insured instruments (the “**Ad Hoc Group**”) regarding a potential transaction that will accelerate the run-off of FGIC’s insured portfolio (the “**Proposed Transaction**”) pursuant to the First Amended Plan of Rehabilitation for FGIC, dated June 4, 2013 (the “**Rehabilitation Plan**”), in a reopened rehabilitation proceeding (the “**Rehabilitation Proceeding**”). The Proposed Transaction remains subject to support by the New York State Department of Financial Services (the “**NYSDFS**”), reopening of the Rehabilitation Proceeding, and approval by the Supreme Court of the State of New York (the “**Rehabilitation Court**”). A copy of the Press Release is posted to FGIC’s website at <http://www.fgic.com/aboutfgic/news/>.

The Transaction Support Agreement provides that beneficial owners of FGIC-insured Instruments and Units (as defined in the Transaction Support Agreement) may join the Transaction Support Agreement and may be entitled to an Early Joinder Fee (as defined below). On April 30, 2024, FGIC formally launched the process for beneficial owners of Covered Instruments (as defined below) to sign a joinder agreement to the Transaction Support Agreement (the “**Joinder Agreement**”) to become eligible to receive the Early Joinder Fee. The deadline to participate is June 12, 2024 at 5:00 p.m. New York City time (the “**Early Joinder Fee Deadline**”). Holders of Covered Instruments should receive the “Notice to Holders of Certain FGIC-insured Instruments and Units” (the “**Notice**”) with instructions on how to complete and submit the required documentation to participate. Additional information is provided below and at <https://deals.is.kroll.com/fgic>.

The information in these FAQs is intended to provide a general explanation of key aspects of the Transaction Support Agreement and the Proposed Transaction contemplated therein, as well as information on how to become a party to the Transaction Support Agreement and become eligible to earn the Early Joinder Fee. There are nuances, exceptions, and other significant aspects of the Transaction Support Agreement and the Proposed Transaction that are not discussed in these FAQs. *Policyholders, holders of insured instruments, shareholders, and other stakeholders are strongly encouraged to review the Transaction Support Agreement, including the term sheet attached thereto (the “**Term Sheet**”), posted to FGIC’s website at <http://www.fgic.com/proposedacceleratedrunoff/>.*

Please consult the Transaction Support Agreement and the Term Sheet for the definitions of any capitalized terms used but not otherwise defined herein.

Why has FGIC entered into the Transaction Support Agreement?

Since emerging from its original Rehabilitation Proceeding, FGIC has been conducting the long-term run-off of its business and policies pursuant to the terms and conditions of the Rehabilitation Plan (the “**Long-Term Run-Off**”). During this period, FGIC has continued to manage its investment portfolio to optimize after-tax income while preserving capital and liquidity, successfully consummated various loss mitigation transactions, and favorably resolved certain material litigation and policy exposures. As a result, the value of FGIC’s assets available to satisfy policyholder claims has grown, enabling FGIC to make and steadily increase distributions to policyholders. Indeed, under the Long-Term Run-Off, FGIC projects having assets sufficient to pay all policyholders’ claims pursuant to the Rehabilitation Plan in full over time during the course of the Long-Term Run-Off that is projected to end in 2049.

Notwithstanding FGIC’s current positive outlook, the continued implementation of the Long-Term Run-Off entails various risks and uncertainties, including with respect to the future performance of FGIC’s investment and insured portfolios, FGIC’s operations, and the volatility of the macroeconomic environment. As a result, FGIC explored the potential merits of, and means to implement, an accelerated run-off of FGIC that: (i) treats all policyholders fairly and equitably; (ii) substantially mitigates the risks associated with the Long-Term Run-Off; (iii) provides accelerated distributions to policyholders; and (iv) avoids incurring ongoing operating expenses associated with administering the Rehabilitation Plan.

This effort culminated in FGIC developing the Proposed Transaction, which, among other things, enables FGIC to resolve all of its policy liabilities. Specifically, FGIC will satisfy all policyholder claims under “**Covered Policies**” (policies with outstanding DPO or DPO Accretion amounts and/or projected future claims) in full on a net present value basis through a lump-sum cash payment, in satisfaction, discharge, and cancellation of such policies. The Proposed Transaction also contemplates the novation of the rest of FGIC policies with no DPO, DPO Accretion, or projected future claim amounts (“**Novated Policies**”) to Assured Guaranty Corp. (“**Assured Guaranty**”) pursuant to the terms and conditions of the Novation Agreement dated as of February 8, 2024 (the “**Novation Agreement**”). Instruments insured by Covered Policies (“**Covered Instruments**”) are listed, on a CUSIP or ISIN basis, on Exhibit A to the Notice, and the Novated Policies are listed on Schedule 1 to the Novation Agreement.

Upon the effective date of the Proposed Transaction (the “**Effective Date**”), FGIC will re-emerge from rehabilitation as a solvent company with no policy obligations.

The Proposed Transaction has the support of the Ad Hoc Group, as well as other beneficial owners of FGIC-insured Instruments and Units, each of whom have signed the Transaction Support Agreement, thereby agreeing to support the Proposed Transaction subject to the terms and conditions of the Transaction Support Agreement and the Term Sheet. As of May 24, 2024, beneficial owners collectively holding approximately \$9.69 billion of FGIC-insured Instruments and Units, and representing approximately \$1.11 billion of Permitted Policy Distributions (approximately 75.3% of all Permitted Policy Distributions), are already party to the Transaction Support Agreement.

I am not part of the Ad Hoc Group. Can I still join the Transaction Support Agreement to support the Proposed Transaction?

Yes. FGIC encourages additional holders of FGIC-insured Instruments and Units to join the Transaction Support Agreement now to support the Proposed Transaction. Please see “Supporting the Proposed Transaction” below for more information.

The Proposed Transaction

I hold instruments insured by one or more FGIC policies. How will the Proposed Transaction impact me?

If you hold Covered Instruments, on the Effective Date, you will receive your share of the cash distributions relevant to such Covered Instruments based on your holdings and the allocations on Exhibit A to the Notice (the “**Permitted Policy Distribution**”). All Covered Policies will be discharged and cancelled on the Effective Date, in consideration of the Permitted Policy Distribution.

If your instruments are insured by a Novated Policy, on the Effective Date, such policy will be novated to Assured Guaranty pursuant to the terms and conditions of the Novation Agreement. Upon novation, Assured Guaranty will become the issuer of such policy and will be solely responsible for all obligations thereunder. Following the Effective Date, to the extent there is a payment default by the issuer of securities insured by a Novated Policy, policyholders under such policy will remain entitled to bring claims directly against Assured Guaranty. A copy of this Novation Agreement is posted to FGIC’s website at www.fgic.com/proposedacceleratedrunoff/.

I hold Covered Instruments. How much will I receive under the Proposed Transaction?

On the Effective Date, your policyholder claim will be satisfied in full on a net present value basis through a lump-sum cash payment. This is referred to as your Permitted Policy Distribution. How much you will receive as your Permitted Policy Distribution is based on your individual holdings and the allocations on Exhibit A to the Notice, which may be subject to further adjustment, for example to account for any cash paid by FGIC to policyholders after December 31, 2023. FGIC cannot help you calculate your individual Permitted Policy Distribution.

Will the Proposed Transaction affect FGIC’s common and preferred stock?

Upon the Effective Date, the restrictions imposed by the Rehabilitation Plan in relation to FGIC’s common and preferred stock rights will be lifted. The Proposed Transaction does not provide for any distributions to holders of FGIC’s common and preferred stock and that stock will remain outstanding following the Effective Date.

What’s Next?

When will the Proposed Transaction become Effective?

It is unknown at this time. The Proposed Transaction is subject in all respects to review and approval by the NYSDFS, the reopening of the Rehabilitation Proceeding, and approval by the

Rehabilitation Court. The Proposed Transaction will only become effective if approved by the Rehabilitation Court.

There is no guarantee that the NYSDFS will agree to support the Proposed Transaction and reopen FGIC's Rehabilitation Proceeding to effectuate the Proposed Transaction, and it is possible that the NYSDFS may require changes (including substantive changes) to the Proposed Transaction as a condition to reopening FGIC's Rehabilitation Proceeding.

Supporting the Proposed Transaction

I hold FGIC-insured Instruments and/or Units. Can I join the Transaction Support Agreement now to support the Proposed Transaction?

Yes. Holders of FGIC-insured Instruments and Units are strongly encouraged to contact Kroll or visit Kroll's E-Portal system at <https://deals.is.kroll.com/fgic> to find out how they may join the Transaction Support Agreement now to support the Proposed Transaction.

If I join the Transaction Support Agreement now, will I be entitled to receive any fees?

Holders of Covered Instruments who (1) join the Transaction Support Agreement by completing and submitting a Joinder Agreement on or before the Early Joinder Fee Deadline and (2) cause their applicable representative to submit an Ownership Certification and/or Proof of Ownership by the Certification Deadline, as described in more detail below and in the Notice, and who are otherwise in compliance with the Transaction Support Agreement, will be entitled to the Early Joinder Fee on the Effective Date, subject to the terms and conditions of the Transaction Support Agreement.

What is the Early Joinder Fee?

The Early Joinder Fee is a fee paid on the Effective Date to holders of Covered Instruments who (i) sign or join the Transaction Support Agreement by the Early Joinder Fee Deadline, (ii) comply with all other requirements provided in the Notice (as defined below), including certification of their ownership of Covered Instruments, (iii) are not in breach of the Transaction Support Agreement as of the Effective Date, and (iv) remain a party to the Transaction Support Agreement until the Effective Date.

The Early Joinder Fee is calculated as 1.497% of a holder's share of the aggregate Initial Permitted Policy Distributions to be paid on account of the ***Covered Instruments that are legally and/or beneficially owned by such holder as of the Early Joinder Fee Deadline***. To the extent a holder transfers Covered Instruments prior to the Early Joinder Fee Deadline, its Early Joinder Fee will be reduced accordingly.

When is the Early Joinder Fee Deadline?

June 12, 2024 at 5:00 p.m. New York City time.

How do I join the Transaction Support Agreement?

If you hold Covered Instruments, you should receive the Notice with instructions on how to join the Transaction Support Agreement. As set forth therein, to join the Transaction Support Agreement, you must complete and execute the Joinder Agreement and submit it via Kroll's E-Portal system located at <https://deals.is.kroll.com/fgic>.

As set forth in detail in the Notice, in order to be eligible to receive the Early Joinder Fee, you must submit your completed and executed Joinder Agreement, along with the completed **"Ownership Certification Table"** (attached as Exhibit E to the Notice) if you hold Covered Instruments through DTC, on or prior to the Early Joinder Fee Deadline. In addition, by no later than June 27, 2024 5:00 p.m. New York City time (the **"Certification Deadline"**), (1) your nominee/bank/broker must certify your ownership of Covered Instruments as of the Early Joinder Fee Deadline by completing and submitting the **"Ownership Certification Spreadsheet"** with respect to Covered Instruments you hold through DTC, and/or (2) you must provide valid **"Proof of Ownership"** of your Covered Instruments as of the Early Joinder Fee Deadline with respect to Covered Instruments you hold in physical form.

A copy of the Notice can be found on Kroll's E-Portal system located here: <https://deals.is.kroll.com/fgic>. A copy of the Transaction Support Agreement, Joinder Agreement and Ownership Certification Table, is annexed to the Notice.

By executing and delivering a completed Joinder Agreement, the holder is agreeing, among other things, to be bound by and comply with all of the terms of the Transaction Support Agreement, including the Term Sheet, as a Holder and a Party, with respect to any and all of that holder's FGIC-insured Instruments, Units, Holder Equity Interests and other Claims (with all capitalized terms being defined in the Transaction Support Agreement). Accordingly, the holder must specifically list the original principal amount of each of the FGIC-insured Instruments, notional amount of Units, and nature and number of shares of Holder Equity Interests, which are held legally and/or beneficially by that holder, as well as the CUSIPs and names of the foregoing, in the table below the signature block on the Joinder Agreement's signature page. Confidentiality provisions regarding this type of information are set forth in Section 14 of the Transaction Support Agreement.

What is the Lock-Up Fee? If I join the Transaction Support Agreement, will I be entitled to the Lock-Up Fee?

The Lock-Up Fee is to compensate Ad Hoc Group members for their role in negotiating and agreeing to support the Proposed Transaction. Only members of the Ad Hoc Group will be entitled to the Lock-Up Fee. Holders who join the Transaction Support Agreement by signing a Joinder Agreement are not entitled to the Lock-Up Fee.

General

Who can I contact if I have a question regarding FGIC and/or the Proposed Transaction?

If you have any questions regarding FGIC and/or the Proposed Transaction, you can send an email to FGICinfo@is.kroll.com.