

Major FGIC Holders Disclose Materials through Kramer Levin (Counsel)

December 9, 2016, New York, New York – Assured Guaranty Ltd. (together with its subsidiaries, collectively, “Assured Guaranty”) today filed a Current Report on Form 8-K disclosing that it had been engaged in confidential discussions with six large policyholders of Financial Guaranty Insurance Company (“FGIC”) on the terms of a transaction which would have resulted in:

- distribution of approximately \$1.9 billion in cash to commuting FGIC policyholders and holders of FGIC deferred payment obligations in FGIC’s non-investment grade portfolio; and
- Assured Guaranty Corp. providing 100% quota share reinsurance on FGIC’s investment-grade portfolio.

Consummation of the transaction would have been subject to a number of conditions, including the commutation of at least 90% of FGIC’s non-investment grade portfolio.

The six policyholders (“Major FGIC Holders”) listed below collectively hold approximately 33% of all distressed FGIC-wrapped securities (by current/accreted face amount as of September 30, 2016) and approximately 50% of all current and estimated future claims under FGIC policies (on a net present value basis). These holdings include approximately \$800 million of Detroit COPs, approximately \$340 million of Puerto Rico-related securities and approximately \$1.3 billion of RMBS.

The terms of the proposed transaction are set forth in the non-binding term sheet dated September 27, 2016, attached as Exhibit A.

Assured Guaranty and the Major FGIC Holders agreed to hold the term sheet confidential until December 9, 2016 while they discussed the terms with FGIC. Representatives of the Major FGIC Holders transmitted the term sheet to FGIC on or around September 27, 2016.

On December 2, 2016, FGIC informed Assured Guaranty and representatives of the Major FGIC Holders that it decided not to pursue the transaction at this time.

The Major FGIC Holders believe that the proposed agreement provides extremely compelling economic benefits to FGIC policy holders as a group.

Under the proposed transaction:

- FGIC policyholders commuting their current and future claims would receive approximately 70% of current or estimated future claims on a net present value basis against FGIC in cash at closing of the proposed transaction, plus a surplus note representing the right to receive 80% of future recoveries (subject to regulatory approval of any surplus note payments).

- FGIC's investment grade portfolio would have been fully reinsured and managed by Assured Guaranty Corp., an insurer with \$3.6 billion of claims-paying resources.

Parties interested in learning more about the proposed transaction, please email Houlihan Lokey, the financial adviser to the Major FGIC Holders, at FGICTransaction@hl.com with your contact information. Please note that the allocation of commutation proceeds among FGIC policies remains subject to negotiation.

The disclosure relating to the non-binding term sheet is qualified in its entirety by reference to the term sheet itself, attached at Exhibit A. In making this disclosure, the Major FGIC Holders assume no obligation to provide additional information with respect to any proposed transaction or any discussions with FGIC.

The Major FGIC Holders are: Aurelius Capital Management, LP, solely as manager on behalf of its managed entities and not in its individual capacity; Canyon Capital Advisors LLC (on behalf of its participating funds and/or clients); King Street Capital Management, L.P., on behalf of certain entities it manages; Monarch Alternative Capital LP, on behalf of certain of its advisory clients; and Panning Capital Management, LP, on behalf of certain entities it manages; and Taconic Capital Advisors, L.P. on behalf of certain managed funds and accounts.

DISCLAIMERS:

No Major FGIC Holder purports to speak on behalf of any entity other than the funds it manages. The term sheet and non-disclosure agreements described herein were the result of discussions each Major FGIC Holder (on behalf of its managed funds) has had with Assured Guaranty with respect to an agreement between the two of them, and not any agreement between any Major FGIC Holder (or any fund managed thereby) and any other Major FGIC Holder (or any fund managed thereby).

In particular, there is no agreement between or among Major FGIC Holders with respect to the purchase, sale or voting of any securities referenced in this release or the term sheet; the Major FGIC Holders are acting individually and not as a group, except to the extent they jointly agree to retain counsel or other advisors.

Each Major FGIC Holder disclaims any fiduciary or other duty to any party (other than any duty each Major FGIC Holder may owe to any fund it manages; any duty to such fund being unaffected hereby). The information contained herein reflects opinions of one or more Major FGIC Holders and/or their advisors as of the date of this release; that information and any opinion based thereon is subject to change, and no representation or warranty relating thereto is made concerning the accuracy or reliability of any information or opinion contained herein. Each Major FGIC Holder and the each advisor to the Major FGIC Holders disclaims any duty to update any opinions, information or other statements contained herein.

Nothing herein should be considered investment advice or a recommendation to buy or sell any specific security. This release does not constitute an offer to sell or the solicitation of an offer to buy any interests in any entity, including any Major FGIC Holder or any fund managed thereby. Such an offer or solicitation may only be made pursuant to definitive offering materials, subscription documents and, where necessary, an order of a court of appropriate jurisdiction.

Contacts:

Houlihan Lokey
Financial Adviser to the Major FGIC Holders
FGICTransaction@hl.com

Kramer Levin Naftalis & Frankel LLP
Thomas Moers Mayer
Counsel to the Major FGIC Holders
212-715-9169

EXHIBIT A

THE INSTITUTIONS LISTED ON EXHIBIT A

September 27, 2016

Assured Guaranty Corp.
1633 Broadway
New York, NY 10019
Attn: Mr. David A. Buzen

Dear David:

This letter will memorialize the indicative, non-binding terms regarding a potential commutation and reinsurance transaction (the "Transaction") involving Financial Guaranty Insurance Company ("FGIC"), as agreed in principle by Assured Guaranty Corp. (together with its subsidiaries or affiliates, as appropriate, "AGC" or "you") and the undersigned firms, identified on Exhibit A hereto ("we" or "us"). Each of us is a record or beneficial holder (or a provider of investment management or advisory services on behalf of such holder(s)) of certain FGIC Interests. A "FGIC Interest" is an existing DPO (as defined herein); an in-force insurance policy issued by FGIC under which claims have been made but capacity still remains for future losses; an in-force insurance policy issued by FGIC under which no claims have been made; and/or any interest in the foregoing. A holder of a FGIC Interest is referred to as a "FGIC Interest Holder." You and we agree that AGC (or any affiliate identified herein) may assign its rights and obligations under any agreement identified herein to any affiliate, *provided* that the affiliate must have a financial strength rating at least as high as the transferring AGC entity.

Under the transaction, generally,

- FGIC Interest Holders within FGIC's distressed insured exposure portfolio (specifically, FGIC Interests in connection with RMBS Obligations, PR Obligations and Detroit Obligations, each as defined below, *provided, however*, that based on AGC's due diligence, additional liabilities, not to exceed \$25 million in initial required reserves, may need to be classified as part of FGIC's distressed insured exposure portfolio ("Additional Distressed Obligations"), and such liabilities will be so added within 30 days of FGIC providing sufficient access to its book and records to enable AGC to evaluate FGIC's liabilities (the "Distressed Portfolio") will commute or cause to be commuted their FGIC Interests in exchange for, in the aggregate, for all such FGIC Interest Holders, (i) all Distributable Cash (defined below) plus (ii) newly issued surplus notes, deferred payment obligations or similar instruments ("Surplus Notes") representing the rights to 80% of Future Recoveries (defined herein);
- AGC will provide 100% quota-share reinsurance coverage on FGIC's non-distressed insured exposure portfolio;
- AGC will provide excess-of-loss coverage, for losses in excess of FGIC's negotiated reserve requirements, for policy coverage remaining under non-commuting FGIC Interests in the Distressed Portfolio (the "Remaining Distressed Portfolio");
- AGC will be entitled to consideration comprising a \$281,500,000 reinsurance premium, net of a ceding commission of \$56,500,000 (i.e., \$225,000,000, which is referred to herein as the "Net Reinsurance Consideration") and Surplus Notes representing the rights to 20% of Future Recoveries;

- at the Effective Date (defined herein) immediately after giving effect to the transaction, FGIC shall retain at least \$100,000,000 in capital, including at least \$33,000,000 expected to be retained by FGIC UK Limited (“FGIC UK”), after FGIC pays such consideration and the Transaction Expenses (as defined below); and
- AGC will enter into a management agreement with FGIC to manage FGIC and FGIC UK.

“Future Recoveries” means all distributable income, earnings and other amounts collected by, and all assets held by, FGIC from and after the Effective Date until the repayment in full of the Surplus Notes, including without limitation litigation proceeds; Reserve Releases (defined herein); and the proceeds of any sale of, or distributions from, FGIC UK.

“Distributable Cash” means all cash and other liquid assets remaining in FGIC on the Effective Date following the payment of the Net Reinsurance Consideration to AGC and the required capital and reserves contemplated herein. You and we intend to maximize the amount of Distributable Cash to the extent practicable by having FGIC sell or otherwise monetize assets on or prior to the Effective Date. As shown in Exhibit B, the illustrative commutation transaction is expected to result in at least \$1.95 billion of Distributable Cash for commuting FGIC Interest Holders, although the amount could be more if you and we are successful in monetizing additional FGIC assets at the Effective Date.

You and we agree that the ideal transaction is one in which 100% of FGIC Interest Holders participate, and, based on our current holdings and our discussions with other FGIC Interest Holders, that is our present expectation. However, it is assumed herein, and it is a minimum requirement for pursuing a transaction, that at least 90% of the insured exposure related to RMBS Obligations and PR Obligations in the aggregate, 100% of outstanding DPOs (including DPO Accretion, as defined herein) arising under FGIC’s coverage of Detroit municipal obligations (“Detroit Obligations”) and at least 90% of all other outstanding DPOs (including DPO Accretion) in the Distressed Portfolio are commuted pursuant to the transaction.

The transaction will be effectuated pursuant to an amendment (the “Plan Amendment”) to FGIC’s First Amended Plan of Rehabilitation for FGIC dated June 4, 2013, together with all exhibits and the Plan Supplement thereto (the “Plan”), to be sought by the New York State Superintendent of Financial Services (the “Superintendent”), in her capacity as rehabilitator of FGIC, in a proceeding in New York State Supreme Court. It is contemplated that you and we will, upon the execution of this letter, approach FGIC and the New York State Department of Financial Services to solicit their support for the transaction and to induce them to take all appropriate measures to seek such Plan Amendment in order to effectuate the transaction.

Wherever this letter refers to commutation of a FGIC Interest, the property right being surrendered to FGIC is insurance coverage provided by FGIC or a claim on FGIC for the DPO payment, as the case may be, *not* the underlying obligation insured by FGIC. The commuting FGIC Interest Holder will continue to hold such obligation post-commutation, but without the FGIC Interest. This may be accomplished through a “synthetic commutation”, if necessary.

Exhibit B hereto sets forth FGIC’s balance sheet as of a June 30, 2016, adjustments in respect of an illustrative commutation transaction and the resulting pro forma balance sheet giving effect to such adjustments, showing the assets and liabilities remaining in FGIC and the aggregate distributions to commuting FGIC Interest Holders.

Exhibits C and D hereto set forth schedules showing, based on current information available to you and us as of today's date, FGIC's initial required reserves on PR Obligations (defined herein) as contemplated hereby and FGIC's initial required reserves as contemplated hereby on its exposure to RMBS Obligations, respectively, immediately prior to giving effect to the Commutation. These exhibits are subject to change as you and we receive additional and updated information.

Exhibit E hereto shows all securities as to which FGIC insurance coverage in the Distressed Portfolio attaches and therefore which could be included in the XOL Agreement (defined herein).

Exhibits B through E are subject to being updated by you and us as more current information becomes available.

"DPO" has the meaning ascribed to it in the Plan.

"DPO Accretion" has the meaning ascribed to it in the Plan.

Under the transaction and pursuant to the Plan Amendment, subject to the satisfaction of all closing conditions, the transaction will be effectuated as described below on a date agreed by the parties (the "Effective Date") pursuant to a master transaction agreement.

1. **Commutation.** FGIC Interest Holders within the Distressed Portfolio will commute or cause to be commuted their coverage or DPOs (as the case may be) in exchange for all Distributable Cash and Surplus Notes as set forth herein (the "Commutation"). Upon the Effective Date, FGIC will not be entitled to any further reimbursements or subrogation rights arising from payments it has made on insured obligations or payments made by FGIC in respect of commuting FGIC Interests, with such exceptions, if any, as may be mutually agreed by you and us in order for FGIC to preserve litigation rights to be able collect Future Recoveries. The Commutation may be accomplished through a structured transaction that has the same economic effect as a commutation by an individual FGIC Interest Holder (i.e., a "synthetic commutation").
2. **Reinsurance of Non-Distressed Portfolio.** FGIC will cede to AGC a 100% quota share of FGIC's in-force policies other than those in the Distressed Portfolio. AGC will be permitted to seek novation of all such policies following the Effective Date in its discretion and at its expense.
3. **Excess of Loss Cover for Remaining Distressed Portfolio.** FGIC will cede to AGC (x) all losses, and (y) loss adjustment expense for (i) RMBS Obligations other than litigation costs and (ii) PR Obligations and Additional Distressed Obligations (and excluding loss adjustment expense for litigation costs related to RMBS Obligations) ("Ceded LAE"), on the Remaining Distressed Portfolio exceeding an attachment point that will adjust from time to time as described herein (the "XOL Agreement"), as will be illustrated on a mutually agreed Effective Date pro forma balance sheet.
 - a. The initial attachment point will
 - i. be agreed by you and the FGIC Interest Holders participating in the Commutation;
 - ii. represent an amount of reserves exceeding FGIC's statutory-basis ("SAP") claim reserve in respect of the Remaining Distressed Portfolio as of the Effective Date and the amount of Ceded LAE as of the Effective Date;
 - iii. in the case of exposures on obligations of the Commonwealth of Puerto Rico and its territorial instrumentalities ("PR Obligations"), be set at the level as shown in Exhibit C, after adjusting such level to give effect to the Commutation; and

- iv. in the case of exposures on residential mortgage-backed securities (“RMBS Obligations”), be set using a discount rate equal to the zero-coupon swap forward curve plus 100 basis points (the “RMBS Discount Rate”).
 - b. You and we agree that this initial attachment point, or amount of reserves, is more conservative than warranted under SAP and expect releases of these reserves over time. The attachment point will be adjusted downward from time to time, as described in Paragraph 7 below, as the Remaining Distressed Portfolio runs off. For the avoidance of doubt, the attachment point will not be eroded by loss adjustment expenses other than Ceded LAE.
- 4. **Reinsurance Consideration Payable to AGC.** AGC will be entitled to
 - a. The Net Reinsurance Consideration from FGIC payable on the Effective Date; and
 - b. Surplus Notes representing the 20% of all Future Recoveries.
- 5. **Application of All Collections to Future Recoveries.** AGC will bear the risk of any losses in excess of the attachment point on the Remaining Distressed Portfolio even if FGIC’s other current reserves held at a given time are less than the attachment point in effect at that time. For the avoidance of doubt, FGIC’s reserves and capital levels will be determined assuming that recoveries will be available to pay losses. Premium income, investment income and litigation proceeds will not be used to pay losses and will instead be applied to Future Recoveries.
- 6. **Reserve Calculations.** AGC will perform Reserve Calculations in accordance with the time periods set forth below, but in each case after FGIC’s statutory financial statement is filed but in any case not later than June 30 of the applicable year, as follows. “Reserve Calculation” means a calculation of FGIC’s SAP claim reserve associated with specified business, determined in accordance with AGC’s then-current methodology for establishing SAP reserves for its own portfolio (“AGC Reserve Methodology”), as modified by (i) in respect of RMBS Obligations, the methodology described in Subparagraph 6.a below and (ii) in respect of PR Obligations, the methodology described in Subparagraph 6.b below.
 - a. Annually in accordance with the AGC Reserve Methodology, AGC will perform a Reserve Calculation on the RMBS Obligations and Additional Distressed Obligations. Until the fifth anniversary of the Effective Date, such Reserve Calculation shall, as to RMBS Obligations, be performed using the RMBS Discount Rate and shall include a reserve in excess of SAP reserves equal to the excess reserve in effect prior to such Reserve Calculation reduced proportionately by the same percentage that the SAP reserves are reduced in such Reserve Calculation. Beginning as of the fifth anniversary of the Effective Date, such Reserve Calculation shall be performed using the AGC Reserve Methodology, but at no time will reserves exceed the amount of reserves prior to such Reserve Calculation.
 - b. Beginning as of the fifth anniversary of the Effective Date (and annually thereafter in accordance with the AGC Reserve Methodology), AGC will perform a Reserve Calculation on the PR Obligations, *provided* that a Reserve Calculation on the PR Obligations will also be performed as of any date, whether prior to or following the fifth anniversary, on which (i) amounts are recovered on, and FGIC’s insured exposure decreases in respect of, PR Obligations, triggering a release of reserves on such obligations or (ii) a restructuring of PR Obligations is effectuated, reducing the insured obligations, by a court order that has become a final order, but in each case only with respect to the applicable PR Obligations.
- 7. **Reserve Releases and Attachment Point Reset.** Reserves will be released as follows.

- a. To the extent that a Reserve Calculation results in a required reserve less than the (i) required reserves for the relevant business on the Effective Date minus (ii) the cumulative reserve releases for the relevant business as determined immediately prior to such Reserve Calculation, redundant reserves will be released, *provided* that the reserve on any PR Obligation that is repaid by the obligor at maturity will automatically be released, *provided, further*, that the aggregate amount of redundant reserves released for the relevant business shall not exceed the required reserves for the relevant business on the Effective Date (a “Reserve Release”).
 - b. Upon a Reserve Release or other collection of a Future Recovery, subject to non-disapproval by the Superintendent, following notice to the Superintendent, a distribution on the Surplus Notes will become payable, *provided* that FGIC shall not be required to give such notice any more frequently than annually, and any application will give effect to any prior Reserve Releases that have accumulated but have not yet been distributed. Upon a Reserve Release, the attachment point under the XOL Agreement will automatically reset to reflect the new level of reserves.
 - c. To the extent that any Reserve Calculation results in a required reserve higher than the amount reserved at that time, the attachment point will not reset and no approval for payment under the Surplus Notes will be sought from the Superintendent.
8. **Surplus Notes.**
- a. The Surplus Notes issued to the FGIC Interest Holders will entitle the holders to 80% of all Future Recoveries. The FGIC Interest Holders’ Surplus Notes will not be subject to transfer restrictions. It is contemplated that these Surplus Notes will be tradable and will be exempt from registration requirements under the securities laws pursuant to Section 3(a)(10) of the Securities Act of 1933, as amended.
 - b. The Surplus Notes issued to AGC will entitle AGC to 20% of all Future Recoveries. AGC’s Surplus Notes will not be transferable (other than to an affiliate) without the written consent of the holders of 66-2/3% of the Surplus Notes held by the FGIC Interest Holders who affirmatively participate in such determination, their successors or assigns (as determined based on the then-outstanding face amount of the Surplus Notes).
 - c. The aggregate principal amount of all Surplus Notes on the Effective Date will be such that 80% of the aggregate principal will equal (i) 100% of the net present value of projected claims minus cash payments made in the Commutation in respect of commuting policy coverage plus (ii) 100% of the face amount of commuted DPOs (plus unpaid DPO Accretion accrued through the Effective Date) minus cash payments made in the Commutation in respect of commuting DPOs.
 - d. The Surplus Notes held by AGC will be *pari passu* with those issued to the commuting FGIC Interest Holders, and no distribution on the Surplus Notes will be made to AGC or the commuting FGIC Interest Holders (or their transferees) without a ratably equivalent distribution being made concurrently to the commuting FGIC Interest Holders (or their transferees) or AGC, as the case may be.
 - e. There shall be no distributions on the Surplus Notes in the absence of non-disapproval from the Superintendent following notice.
9. **Management Agreement.** On the Effective Date, AGC and FGIC will enter into a management agreement pursuant to which AGC will provide all management and administrative services to FGIC in consideration for an annual management fee of \$7,500,000. AGC will bear all operating expenses of FGIC. FGIC will bear all expenses other than those related to the management of the assets and liabilities of FGIC, including but not limited to those expenses related to the governance of FGIC and supervision by AGC, such as non-AGC director fees, directors and officers insurance for non-AGC employees, audit expenses and associated legal fees, regulatory

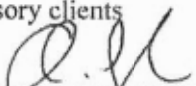
filing fees and litigation costs and expenses. The initial term of the management agreement will be five years, with automatic renewal thereafter unless terminated by a party. FGIC may terminate the management agreement without cause only upon paying a termination fee equal to one year's management fees.

10. **FGIC Board Matters.** The FGIC board of directors will comprise seven directors, the minimum number of directors required under New York insurance law. Of the seven, two will be designated by the commuting FGIC Interest Holders; two will be designated by AGC; and three will be designated by mutual agreement of the FGIC Interest Holders and AGC. A vacancy in one of the two positions designated by the FGIC Interest Holders will be filled at the direction of the remaining FGIC Interest Holders' director. A vacancy in one of the two positions designated by AGC will be filled at the direction of AGC. A vacancy in one of the three other positions will be filled at the direction of a majority of the remaining directors, and in the event of a tie, a director designated by AGC shall serve as the tiebreaking vote.
11. **Breakage.** "Breakage" means all costs incurred in connection with terminating FGIC contracts, licenses and other arrangements not needed for the future administration of FGIC, including severance, other than the four most expensive severance packages ("Top 4 Severance Costs"). In satisfaction of these costs, (i) an amount equal to 50% of Breakage will be deducted from the Net Reinsurance Consideration, and (ii) an amount equal to 50% of Breakage plus an amount equal to Top 4 Severance Costs will be deducted from Distributable Cash being paid out to commuting FGIC Interest Holders on the Effective Date.
12. **Transaction Costs.** FGIC shall bear all costs incurred by FGIC or the participating FGIC Interest Holders in connection with the transaction, including but not limited to fees due to advisors to such parties and regulatory filings made by such parties ("Transaction Expenses").
13. **Permitted Practices.** The approval of the following permitted accounting practices for FGIC from the Superintendent shall be a condition to closing the Transaction: (i) permission to recognize the ceding commission as income immediately and (ii) permission to release contingency reserves.

This letter is non-binding and indicative. Any transaction is subject to the negotiation, execution and delivery of definitive transaction documents, all necessary regulatory and judicial approvals and other closing conditions. Despite the non-binding nature of this letter, you and we agree that this letter shall be governed by the laws of the State of New York, without regard to the conflicts of law provisions thereof, and any disputes (or appeals of such disputes) arising hereunder shall be adjudicated by the state or federal courts located in New York, New York.

Very truly yours,

MONARCH ALTERNATIVE
CAPITAL LP, on behalf of certain of its
advisory clients

By: 
Adam Sklar

AURELIUS CAPITAL
MANAGEMENT, LP, solely as
manager on behalf of its managed
entities and not in its individual capacity

By: _____
Name: Eleanor Chan
Title: Managing Director

KING STREET CAPITAL
MANAGEMENT, L.P., on behalf of
certain entities it manages

By: _____

CANYON CAPITAL ADVISORS LLC
(on behalf of its participating funds
and/or clients)

By: _____

PANNING CAPITAL
MANAGEMENT, LP

By: _____

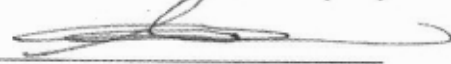
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CAPITAL LP, on behalf of certain of its
advisory clients

By: _____

AURELIUS CAPITAL
MANAGEMENT, LP, solely as
manager on behalf of its managed
entities and not in its individual capacity

By: 
Name: Eleanor Chan
Title: Managing Director

KING STREET CAPITAL
MANAGEMENT, L.P., on behalf of
certain entities it manages

By: _____

CANYON CAPITAL ADVISORS LLC
(on behalf of its participating funds
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By: _____

PANNING CAPITAL
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By: _____

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advisory clients

By: _____

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manager on behalf of its managed
entities and not in its individual capacity

By: _____

Name: Eleanor Chan
Title: Managing Director

KING STREET CAPITAL
MANAGEMENT, L.P., on behalf of
certain entities it manages
By: King Street Capital Management GP, L.L.C., its General Partner

By: _____

CANYON CAPITAL ADVISORS LLC
(on behalf of its participating funds
and/or clients)

By: _____

PANNING CAPITAL
MANAGEMENT, LP

By: _____

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By: _____

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entities and not in its individual capacity

By: _____

Name: Eleanor Chan
Title: Managing Director

KING STREET CAPITAL
MANAGEMENT, L.P., on behalf of
certain entities it manages

By: _____

CANYON CAPITAL ADVISORS LLC
(on behalf of its participating funds
and/or clients)

By: _____

Jonathan M. Kapla
Authorized Signator

PANNING CAPITAL
MANAGEMENT, LP, on behalf of
certain entities it manages

By: _____

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Very truly yours,

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CAPITAL LP, on behalf of certain of its
advisory clients

By: _____

AURELIUS CAPITAL
MANAGEMENT, LP, solely as
manager on behalf of its managed
entities and not in its individual capacity

By: _____
Name: Eleanor Chan
Title: Managing Director

KING STREET CAPITAL
MANAGEMENT, L.P., on behalf of
certain entities it manages

By: _____

CANYON CAPITAL ADVISORS LLC
(on behalf of its participating funds
and/or clients)

By: _____

PANNING CAPITAL
MANAGEMENT, LP, on behalf of
certain entities it manages

By:  _____

Agreed and acknowledged by:

ASSURED GUARANTY CORP.


By:  _____

EXHIBIT A

SIGNATORY FIRMS

1. Monarch Alternative Capital LP, on behalf of certain of its advisory clients
2. Aurelius Capital Management, LP, solely as manager on behalf of its managed entities and not in its individual capacity
3. King Street Capital Management, L.P., on behalf of certain entities it manages
4. Canyon Capital Advisors LLC (on behalf of its participating funds and/or clients)
5. Panning Capital Management, LP, on behalf of certain entities it manages

EXHIBIT B

PRO FORMA BALANCE SHEET

EXHIBIT C

PUERTO RICO RESERVES

EXHIBIT D
RMBS RESERVES

EXHIBIT E

SECURITIES ELIGIBLE FOR COVERAGE IN THE XOL AGREEMENT

Set forth below is an illustrative commutation transaction that assumes a 90% commutation of FGIC's distressed RMBS and Puerto Rico insured exposure, 100% commutation of Detroit DPOs and 90% commutation of all other DPOs. FGIC's non-distressed insured exposure is assumed to be reinsured.

Assumes no modifications to existing DPOs and insured policies not tendered in the commutation transaction

	As of 06/30/2016			Reinsurance Transaction	Comm. Trans.	Post-Comm FGIC
	Pre - Transaction FGIC	Adjustment	Pre - Transaction Adj. FGIC			
Assets						
Total Admitted Assets	\$2,419,327		\$2,419,327			\$2,419,327
Unrealized Gain on Bond Portfolio		174,356	174,356			174,356
Unrealized Gain on Common Stock and Other Assets		88,265	88,265			88,265
ResCap Units		TBD	-			-
Other		TBD				
Total Adjusted Admitted Assets	\$2,419,327	\$262,621	\$2,681,948			\$2,681,948
Reinsurance and Excess of Loss Fees				(225,000)		(\$225,000)
Non-Commuting DPOs					(87,267)	(87,267)
Transaction Costs					(25,000)	(25,000)
Cash Available for Commutation					(1,946,617)	(1,946,617)
Total Assets	\$2,419,327	\$262,621	\$2,681,948	(\$225,000)	(\$2,058,884)	\$398,064
Liabilities & Capital Surplus						
Claim Reserve (1)						
Distressed RMBS (2)	903,461	594,476	1,497,937		(1,348,143)	149,794
Distressed Puerto Rico	482,721	686,399	1,169,120		(1,052,208)	116,912
Total	\$1,386,182	\$1,280,875	\$2,667,057	-	(\$2,400,351)	\$266,706
Detroit DPO (3)	937,103		937,103		(937,103)	-
RMBS DPO (3)	817,880		817,880		(817,880)	-
Other DPO (3)	54,790		54,790		(54,790)	-
Total DPO	1,809,773		1,809,773		(1,809,773)	-
Policy Revision Adjustment (4)	(1,276,717)	1,276,717	-			-
Loss Adjustment Expense	16,143	(13,143)	3,000			3,000
Unearned Premiums	55,482	(55,482)	-			-
Contingency Reserve	328,109	(328,109)	-			-
Other Liabilities	17,524		17,524			17,524
Provision for Reinsurance	5,597	(5,597)	-			-
Payable for Securities Purchased	10,758		10,758			10,758
Income Tax Payable	76		76			76
Total Other Liabilities	433,689	(402,331)	31,358			31,358
Total Liabilities	\$2,352,927	\$2,155,261	\$4,508,188	-	(\$4,210,124)	\$298,064
Statutory Surplus/(Deficiency)						
Capital & Surplus	\$66,400	-	(\$1,826,240)			\$100,000
Total Liabilities and Capital Surplus	\$2,419,327		\$2,681,948			\$398,064
NPIF						
Non-Distressed Intl and Public Finance	5,406,246		\$5,406,246	(5,406,246)		-
Non-Distressed RMBS and Other Structured Finance	815,743		815,743	(815,743)		-
Distressed RMBS	3,305,272		3,305,272	-	(2,974,745)	330,527
Distressed Puerto Rico	1,169,367		1,169,367	-	(1,052,431)	116,937
Total	\$10,696,629		\$10,696,629	(\$6,221,989)	(\$4,027,176)	\$447,464

(1) Claims reserve increased by \$1.3bn to reflect AGO's estimated required capital; final number subject to additional due diligence

(2) Distressed RMBS not adjusted for FGIC owned bonds (subject to further due diligence)

(3) DPO includes DPO accretion as of 06/30/2016

(4) Policy revision is an accounting adjustment to get to a capital surplus to \$66.4mm

Set forth below is AGO's required capital on FGIC's distressed Puerto Rico Obligations

Puerto Rico Policies	NPIF (06/30/2016)	AGO	
		Estimate Required Capital	Required Capital / NPIF (%)
GO & PBA			
Puerto Rico Commonwealth, PR Pub Imp GO Ref 2006B	\$32,815,000	\$6,315,362	19.25%
Puerto Rico Commonwealth, PR Pub Imp GO Ref 2007 A-1 & A-5	73,035,000	15,951,963	21.84%
Puerto Rico Public Building Authority Series H	7,850,000	1,597,317	20.35%
Puerto Rico, Commonwealth GO Pub Imp 2002 A	6,000,000	1,374,007	22.90%
Puerto Rico, Commonwealth GO Pub Imp RFDG 2002 A	2,000,000	418,590	20.93%
Puerto Rico, Commonwealth GO Pub Imp 2003 A	25,000,000	5,855,462	23.42%
Puerto Rico, Commonwealth GO 2002 Pub Imp 2002 A	112,149,320	23,819,410	21.24%
Puerto Rico, Commonwealth GO RFD 2002 Pub Imp 2003 A	27,770,000	5,692,894	20.50%
Subtotal	\$286,619,320	\$61,025,005	21.29%
Highway, Infrastructure, Other			
Puerto Rico Conv Ctr Dist Auth, PR Hotel Rev 06A	\$97,075,000	\$69,325,789	71.41%
Puerto Rico Infrs Fin Auth, PR, Spec Tax Rev 05AB	348,739,514	580,488,841	166.45%
Puerto Rico Highway & Trans, PR Rev Ser K,L and BB	30,270,000	31,406,628	103.75%
Puerto Rico Highway & Trans, PR Rev Ser M, N, CC,	215,643,557	249,441,222	115.67%
Puerto Rico Highway & Trans, PR Sen Lien 04	89,590,000	92,314,383	103.04%
Puerto Rico Highway & Transportation 2003	24,315,000	19,961,241	82.09%
Puerto Rico Highway & Transportation Sub Lien 2003	77,115,000	65,156,931	84.49%
Subtotal	\$882,748,071	\$1,108,095,034	125.53%
Total	\$1,169,367,391	\$1,169,120,039	99.98%

Set forth below is AGO's required capital on FGIC's RMBS Obligations

RMBS Policies	NPIF (06/30/2016)	AGO Estimate Req. Capital (1)	% of NPIF
Ultimate Pay			
MSAC 2007-NC4	\$463,912,431	\$214,016,241	46.1%
TMTS 2006-8SL	321,369,320	156,372,373	48.7%
TMTS 2005-13SL	139,014,300	153,339,981	110.3%
TMTS 2006-2HGS	138,773,743	62,674,543	45.2%
BARN 2007-1 N1	126,006,408	99,668,301	79.1%
MABS 2005-AB1	61,861,829	36,664,772	59.3%
MABS 2006-AB1	59,127,000	22,122,025	37.4%
CMLTI 2005-WF2 AF6B	52,540,000	14,838,017	28.2%
BSABS 2006-AC1 1A2	23,199,932	18,192,705	78.4%
CMLTI 2006-WF1W	17,099,556	12,379,362	72.4%
CMLTI 2006-WF1W	10,259,734	-	-
Total Ultimate Pay	\$1,413,164,252	\$790,268,322	55.9%
Current Pay			
CWHEL 2006-H	\$261,225,868	\$116,602,114	44.6%
CWHEL 2007-C A	138,947,346	41,568,111	29.9%
CWL 2006-S3	118,663,663	62,026,820	52.3%
CWL 2006-S5	118,135,628	62,632,176	53.0%
CWL 2006-S2	114,056,769	54,569,924	47.8%
BSABS 2007-SD3 A	103,447,592	10,174,306	9.8%
CWHEL 2005-B	83,052,004	29,972,752	36.1%
IMM 2004-11	54,847,281	2,650,478	4.8%
QUEST 2006-X1	52,493,724	11,012,169	21.0%
INDS 2006-2B A	39,081,720	12,212,652	31.2%
QUEST 2005-X2 A2	26,570,222	5,369,438	20.2%
HEMT 2006-2 2A1	18,664,131	11,403,888	61.1%
INDS 2006-1	18,101,010	58,309,087	322.1%
AHM 2005-2 6A	8,125,625	8,412,742	103.5%
AHM 2005-4 2A	7,938,105	3,698,162	46.6%
AHM 2005-1 9A	4,050,894	4,178,310	103.1%
BSABS 2005-AC9 A5	19,494,899	7,468,941	38.3%
INABS 2006-H1 A	30,962,532	9,226,368	29.8%
Total Current Pay	\$1,217,859,010	\$511,488,437	42.0%
Other RMBS with AGO Required Capital	674,248,854	196,180,341	29.1%
Total Distressed RMBS Insured Exposure	\$3,305,272,117	\$1,497,937,100	45.3%
Other RMBS (2)	557,888,593	-	-
Other Structured Finance (3)	257,854,826	-	-
Total Structured Finance	\$4,121,015,535	\$1,497,937,100	36.3%

(1) Collateral and loss assumptions subject to further discussions between AGO and FGIC Interest Holders. Discount rate is the risk free swap + 100bps

(2) RMBS with no AGO required capital; assumed to be included in the reinsurance transaction

(3) Other structured finance with no AGO required capital; assumed to be included in the reinsurance transaction

Set forth below is a list of the Puerto Rico and RMBS Obligations to be covered under the XOL Agreement.
All other policies to be included in the reinsurance transaction

	NPIF (06/30/2016)	AGO	
		Estimate Required Capital	Required Capital / NPIF (%)
Puerto Rico Obligations			
GO & PBA			
Puerto Rico Commonwealth, PR Pub Imp GO Ref 2006B	\$32,815,000	\$6,315,362	19.25%
Puerto Rico Commonwealth, PR Pub Imp GO Ref 2007 A-1 & A-5	73,035,000	15,951,963	21.84%
Puerto Rico Public Building Authority Series H	7,850,000	1,597,317	20.35%
Puerto Rico, Commonwealth GO Pub Imp 2002 A	6,000,000	1,374,007	22.90%
Puerto Rico, Commonwealth GO Pub Imp RFDG 2002 A	2,000,000	418,590	20.93%
Puerto Rico, Commonwealth GO Pub Imp 2003 A	25,000,000	5,855,462	23.42%
Puerto Rico, Commonwealth GO 2002 Pub Imp 2002 A	112,149,320	23,819,410	21.24%
Puerto Rico, Commonwealth GO RFD 2002 Pub Imp 2003 A	27,770,000	5,692,894	20.50%
Subtotal	\$286,619,320	\$61,025,005	21.29%
Highway, Infrastructure, Other			
Puerto Rico Conv Ctr Dist Auth, PR Hotel Rev 06A	\$97,075,000	\$69,325,789	71.41%
Puerto Rico Infrs Fin Auth, PR, Spec Tax Rev 05AB	348,739,514	580,488,841	166.45%
Puerto Rico Highway & Trans, PR Rev Ser K,L and BB	30,270,000	31,406,628	103.75%
Puerto Rico Highway & Trans, PR Rev Ser M, N, CC,	215,643,557	249,441,222	115.67%
Puerto Rico Highway & Trans, PR Sen Lien 04	89,590,000	92,314,383	103.04%
Puerto Rico Highway & Transportation 2003	24,315,000	19,961,241	82.09%
Puerto Rico Highway & Transportation Sub Lien 2003	77,115,000	65,156,931	84.49%
Subtotal	\$882,748,071	\$1,108,095,034	125.53%
Total Puerto Rico	\$1,169,367,391	\$1,169,120,039	99.98%
RMBS Obligations			
Ultimate Pay			
MSAC 2007-NC4	\$463,912,431	\$214,016,241	46.1%
TMTS 2006-8SL	321,369,320	156,372,373	48.7%
TMTS 2005-13SL	139,014,300	153,339,981	110.3%
TMTS 2006-2HGS	138,773,743	62,674,543	45.2%
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MABS 2005-AB1	61,861,829	36,664,772	59.3%
MABS 2006-AB1	59,127,000	22,122,025	37.4%
CMLTI 2005-WF2 AF6B	52,540,000	14,838,017	28.2%
BSABS 2006-AC1 1A2	23,199,932	18,192,705	78.4%
CMLTI 2006-WF1W	17,099,556	12,379,362	72.4%
CMLTI 2006-WF1W	10,259,734	-	-
Total Ultimate Pay	\$1,413,164,252	\$790,268,322	55.9%

Set forth below is a list of the Puerto Rico and RMBS Obligations to be covered under the XOL Agreement.
All other policies to be included in the reinsurance transaction

	NPIF (06/30/2016)	AGO	
		Estimate Required Capital	Required Capital / NPIF (%)
RMBS Obligations			
Current Pay			
CWHEL 2006-H	\$261,225,868	\$116,602,114	44.6%
CWHEL 2007-C A	138,947,346	41,568,111	29.9%
CWL 2006-S3	118,663,663	62,026,820	52.3%
CWL 2006-S5	118,135,628	62,632,176	53.0%
CWL 2006-S2	114,056,769	54,569,924	47.8%
BSABS 2007-SD3 A	103,447,592	10,174,306	9.8%
CWHEL 2005-B	83,052,004	29,972,752	36.1%
IMM 2004-11	54,847,281	2,650,478	4.8%
QUEST 2006-X1	52,493,724	11,012,169	21.0%
INDS 2006-2B A	39,081,720	12,212,652	31.2%
QUEST 2005-X2 A2	26,570,222	5,369,438	20.2%
HEMT 2006-2 2A1	18,664,131	11,403,888	61.1%
INDS 2006-1	18,101,010	58,309,087	322.1%
AHM 2005-2 6A	8,125,625	8,412,742	103.5%
AHM 2005-4 2A	7,938,105	3,698,162	46.6%
AHM 2005-1 9A	4,050,894	4,178,310	103.1%
BSABS 2005-AC9 A5	19,494,899	7,468,941	38.3%
INABS 2006-H1 A	30,962,532	9,226,368	29.8%
Total Current Pay	\$1,217,859,010	\$511,488,437	42.0%
Other RMBS			
Alliance 1998-2	\$3,219,105	\$22,304	0.7%
Alliance 1999-2	15,826,368	1,038,623	6.6%
Alliance 1999-3	12,549,527	2,626,819	20.9%
Alliance 1999-4	17,257,023	1,359,156	7.9%
Alliance 2000-1	6,376,501	444,294	7.0%
BSABS 2005-AC5, Class 1-A3	15,796,667	4,004,592	25.4%
BSABS 2005-AC6, Class IA3 and IA4	25,805,772	2,665,405	10.3%
ContiMortgage 1995-1	900,601	655,987	72.8%
ContiMortgage 1995-2	822,216	482,633	58.7%
ContiMortgage 1995-4	1,925,468	478,817	24.9%
ContiMortgage 1996-1	2,440,439	3,037,065	124.4%
CWABS 2004-B (1st lien)	41,413,569	20,775,797	50.2%
CWABS 2004-C	21,283,946	5,772,307	27.1%
CWABS 2004-E	20,042,968	2,305,021	11.5%
CWABS 2004-F	28,755,264	5,309,948	18.5%
CWABS 2004-U	29,066,405	9,792,008	33.7%
CWHEQ 2005-G	99,192,604	32,952,957	33.2%
CWHEQ 2005-H	98,637,573	34,976,952	35.5%
DLJ 1993-4	166,899	20,184	12.1%
DMSI 2004-5, Class A-4A, A-5A, A-5B	12,499,001	661	0.0%
Impac CMB Trust 2004-10	117,330,318	4,282,256	3.6%
IndyMac 2005-L1	-	1,505,142	-
IndyMac 2005-L2	-	2,573,079	-
IndyMac 2005-L3	-	4,386,959	-
IndyMac 2006-L2	-	20,548,946	-
Irwin 2006-2 Class IA & VFN	9,436,047	22,999,242	243.7%
New Century HEL Trust 2004-A (FRMS)	84,244,493	687,537	0.8%
Sovereign 2000-1 HEL Trust	7,665,953	8,452,337	110.3%
Terwin Mortgage Trust 2004-23	1,594,128	2,023,312	126.9%
Total Other RMBS	\$674,248,854	\$196,180,341	29.1%
Total RMBS	\$3,305,272,117	\$1,497,937,100	45.3%
Total XOL Obligations	\$4,474,639,507	\$2,667,057,140	59.6%