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Fir Tree Partners Participates In Exchange Offer for Certain Securities Insured by Financial Guaranty Insurance Company

NEW YORK, October 1, 2010 – Financial Guaranty Insurance Company (“FGIC”) announced today that Fir Tree Partners (“Fir Tree”) has tendered an additional \$443 million (based on original principal balance) of its portfolio of residential mortgage-backed securities insured by FGIC in Sharps SP I LLC’s offer to exchange certain securities insured by FGIC (the “Offer”). This additional tender, brings the aggregate original principal balance that Fir Tree has tendered to approximately \$770 million.

FGIC also announced that Fir Tree is establishing an advisory committee to be comprised of significant holders of securities insured by FGIC, which participated in the Offer. Upon the successful completion of the Offer, the advisory committee will (i) recommend a special litigation advisor to aid FGIC in its claim efforts in connection with the Recoveries Trust to be established as provided in the Offer and (ii) propose a prospective nominee for the board of directors for FGIC. FGIC is looking forward to working with the advisory committee in furtherance of these objectives.

John Dubel, FGIC’s CEO stated: “We are pleased with Fir Tree’s support for FGIC and the Offer. We believe that Fir Tree’s participation in the Offer, their sponsorship of the advisory committee and ongoing involvement with FGIC will be beneficial in our continued restructuring efforts and goal to maximize policyholder recovery.”

Clinton Biondo, Managing Director of Fir Tree stated: “We are delighted to support the Offer. We believe that the current Offer is fair to policyholders and we look forward to working with management in its continued efforts to maximize value to policyholders.”

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The Offer is being conducted only with qualified institutional buyers (“Qualified Institutional Buyers”) as defined in Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), that are also qualified purchasers (“Qualified Purchasers”) as defined in Section 2(a)(51) under the Investment Company Act of 1940, as amended. The certificates that may be issued pursuant to the offer have not been and, at the time of the closing of the transaction, will not be registered under the Securities Act or any state securities laws. The certificates may not be offered, sold or transferred in or outside of the United States except in reliance on the exemption from the registration requirements of the Securities Act afforded by Rule 144A thereunder and in accordance with applicable state and foreign securities laws to Qualified Institutional Buyers that are also Qualified Purchasers.

This press release does not constitute an offer to purchase any securities or a solicitation of an offer to sell any securities. The offers are being made only pursuant to the offer to exchange and related letter of transmittal and only to such persons and in such jurisdictions as are permitted under applicable law.



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 for more information.

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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 such 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 close the offer within the time frame and on the terms required by the New York State Insurance Department (“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 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 FGIC’s other loss mitigation efforts, including FGIC’s ability to consummate contemplated transactions with certain counterparties on certain credit default swaps and other obligations insured by FGIC; (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 claim payments or FGIC’s inability to recommence claim payments or other delay in its recommencement of claim payments in full of due and unpaid amounts under its policies, such as the risk of defaults under FGIC-insured credit default swaps, non-payment of premiums and other amounts owed to FGIC and possible limitations on FGIC’s rights under other agreements; (9) the impact on FGIC, including its ownership, operations and management, due to FGIC Corporation’s filing under Chapter 11 of the U.S. Bankruptcy Code; (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 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.