SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

<table>
<tr><td>In the Matter of

the Application of

Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York, for an order to take possession of the property of and rehabilitate

FINANCIAL GUARANTY INSURANCE COMPANY.</td><td>Index No. ________/2012

<u>VERIFIED PETITION</u></td></tr>
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Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York (the "**Superintendent**"), respectfully submits this verified petition (the "**Rehabilitation Petition**") for an order, substantially in the form attached hereto as **Exhibit A**, (the "**Proposed Rehabilitation Order**"): (i) appointing the Superintendent and his successors in office as rehabilitator ("**Rehabilitator**") of Financial Guaranty Insurance Company ("**FGIC**"); (ii) directing the Rehabilitator to take possession of the property and assets of FGIC and to conduct the business thereof; and (iii) directing the Rehabilitator to take such steps toward the removal of the causes and conditions which have made this rehabilitation proceeding (the "**Rehabilitation Proceeding**") necessary.

Preliminary Statement

1. At least three independent statutory grounds exist to place FGIC into rehabilitation, any one of which would provide a sufficient basis for issuance of the Proposed Rehabilitation Order: (i) FGIC's consent; (ii) FGIC's insolvency; and (iii) FGIC's inability to remove the impairment of its capital after being ordered to do so by the New York State

Insurance Department ("**NYID**"), the predecessor to the New York State Department of Financial Services ("**NYSDFS**").[1] Further, this Court has authority under Section 7419 of the New York Insurance Law (the "**NYIL**") to grant the injunctive relief described below in order to prevent immediate and irreparable harm and to ensure the fair and equitable treatment of FGIC's policyholders, creditors, and other parties in interest.

Background

2. FGIC, originally formed under the name Switzerland General Insurance Corporation of New York, was incorporated in the State of New York as a stock insurance company on April 10, 1972.

3. FGIC's statutory home office is located at 125 Park Avenue, New York, New York 10017.

4. FGIC is a direct, wholly-owned subsidiary of FGIC Corporation, a Delaware corporation ("**FGIC Corp.**"). An organizational chart is annexed hereto as **Exhibit B**. On August 3, 2010, FGIC Corp. filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the Southern District of New York (the "**Bankruptcy Court**"), Case No. 10-14215 (the "**Chapter 11 Case**"). The Chapter 11 Case was assigned to the Honorable Stuart M. Bernstein, United States Bankruptcy Judge for the Southern District of New York. On April 23, 2012, the Bankruptcy Court confirmed FGIC Corp.'s chapter 11 plan (the "**Chapter 11 Plan**"), but the Chapter 11 Plan has not yet become effective. FGIC Corp. is not a party to this Rehabilitation Proceeding.

[1] On October 3, 2011, the NYID and the New York State Banking Department merged to become the NYSDFS. All references herein to NYSDFS shall refer to the NYID if the time period at issue is before October 3, 2011.

5. FGIC also has outstanding preferred stock (the "**Preferred Stock**") that is held by third parties. Pursuant to FGIC's Amended and Restated Charter, holders of the Preferred Stock (the "**Preferred Holders**") become entitled to elect two new directors to FGIC's board of directors, only if and once three conditions are first met: (i) FGIC fails to pay dividends on the Preferred Stock for a period of 18 consecutive months, (ii) the Superintendent approves the Preferred Holders' acquisition of voting rights, and (iii) such acquisition otherwise complies with the NYIL. Although, as of May 13, 2010, FGIC had failed to pay dividends on the Preferred Stock for the 18th consecutive month, the Preferred Holders have never acquired any voting rights because at no point have all three of these conditions been satisfied.

6. FGIC is the parent company of FGIC UK Limited ("**FGIC UK**"), a wholly-owned United Kingdom insurance company. On July 1, 2009, FGIC UK filed a voluntary variation of permission with the UK Financial Services Authority ("**FSA**"), its principal regulator, to remove its ability to write new insurance contracts. The FSA approved this filing on July 10, 2009. On June 30, 2011, FGIC and FGIC UK entered into a Deed of Termination pursuant to which they terminated the agreements under which FGIC had provided reinsurance on financial guarantees or policies written by FGIC UK, and released each other from all present and future claims and liabilities under or in connection with such agreements. FGIC, however, continues to hold 100% of the equity interests in FGIC UK. FGIC UK is not a party to the Chapter 11 Case or this Rehabilitation Proceeding.

7. FGIC is also the sole member of FGIC Credit Products, LLC ("**FGIC CP**"), a Delaware limited liability company that entered into credit default swaps ("**CDS**") with certain buyers of credit protection (collectively, "**Counterparties**"). FGIC issued financial guaranty insurance policies to the Counterparties under the vast majority of FGIC CP's CDS,

which policies insure FGIC CP's obligations under such CDS. The Counterparties pay amounts to FGIC CP in accordance with the terms of the CDS contracts in return for FGIC CP agreeing to make payments upon the occurrence of certain events under the CDS. FGIC CP pays to FGIC 90% of the amounts it so receives under its FGIC-insured CDS as premium payments for the related financial guaranty insurance policies that FGIC issued. As evidenced by the minimal capitalization of FGIC CP, the intent of this arrangement was for FGIC to bear and be responsible for any liabilities of FGIC CP under such CDS. In light of the pass-through nature to FGIC of FGIC CP's obligations under such CDS, some of the injunctive relief described in paragraph 36 below would apply to conduct concerning FGIC CP (including attempts by Counterparties to terminate CDS with FGIC CP and assert certain claims against FGIC CP, all of which would materially and adversely impact FGIC).

8. FGIC was previously licensed to write insurance business in, and is subject to the insurance regulation and supervision by, the 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, and the United Kingdom.

9. As of April 30, 2012, FGIC's license to write financial guaranty insurance has been suspended by state insurance departments or voluntarily surrendered or limited by FGIC in the following 32 states: Alabama, Alaska, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Idaho, Illinois, Iowa, Indiana, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Mississippi, Missouri, Nevada, New Hampshire, North Carolina, North Dakota, Ohio, Oregon, South Carolina, Tennessee, Utah, Virginia, Washington, West Virginia, and Wyoming.

10. FGIC is authorized to write the kinds of insurance set forth below in the following numbered paragraphs of Section 1113(a) of the NYIL:

Paragraph	Kind of Insurance
16(C)(D)(E)(F)	Surety insurance
17(A)	Credit insurance
25	Financial guaranty insurance

11. Beginning in 1983 and through 2007, FGIC and its subsidiaries guaranteed the timely payment of principal and interest on public finance and structured finance obligations by issuing insurance policies. FGIC CP also entered into CDS with Counterparties and FGIC guaranteed FGIC CP's payment obligations under certain of such CDS. Together with its subsidiaries, FGIC provided credit enhancement for domestic and international securities, including both newly-issued securities and outstanding securities trading in the secondary market. According to FGIC's Quarterly Statement for the period ending March 31, 2012 (the "**March 31, 2012 Quarterly Statement**"), a copy of which is attached hereto as **Exhibit C**, FGIC's gross principal amount of outstanding insured obligations ("**GPIF**") was approximately \$177.1 billion and, after giving effect to amounts ceded to other insurance companies (the "**Reinsurers**") pursuant to reinsurance agreements, FGIC's total net par in force ("**NPIF**"), was approximately \$40.1 billion. By means of such reinsurance transactions, the Reinsurers agreed to reimburse FGIC for a specified portion of the claims and loss adjustment expenses paid by FGIC in connection with the reinsured policies, in consideration for a portion of the related premiums received by FGIC. The reinsurance does not alter FGIC's primary obligations to the insureds under such policies, and as a result FGIC remains liable for all claims under such policies.

12. FGIC's business falls within three general categories: (i) public finance, (ii) structured finance, and (iii) international.

13. Within its public finance business, FGIC insured the payment of principal and interest with respect to United States municipal bond obligations. As of March 31, 2012,[2] FGIC's total GPIF and NPIF for its public finance business segment were approximately $147.9 billion and $12.3 billion, respectively.

14. Within its structured finance business, FGIC insured various structured finance obligations, including, without limitation, residential mortgage-backed securities ("**RMBS**"), asset-backed securities ("**ABS**"), collateralized debt obligations of ABS ("**ABS CDOs**"), and collateralized loan obligations ("**CLOs**"). Such insurance was effected through a combination of financial guaranty insurance policies referencing specific securities and policies insuring performance by FGIC CP of its obligations under CDS contracts (which CDS contracts in turn typically referenced specific obligations and credit events). As of March 31, 2012, FGIC's total GPIF and NPIF for its structured finance business were approximately $24.4 billion and $23.4 billion, respectively, including total GPIF and NPIF for RMBS of approximately $14.3 billion and $14.1 billion, respectively, and total GPIF and NPIF for policies insuring FGIC CP's CDS obligations of approximately $5.6 billion.[3]

15. Within its international business, FGIC and its subsidiaries insured structured finance and other types of obligations, including project finance, utility, corporate, and sovereign debt. As of March 31, 2012, FGIC's total GPIF and NPIF for its international

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[2] All factual information set forth herein "as of March 31, 2012" is based on the March 31, 2012 Quarterly Statement, unless otherwise indicated.

[3] FGIC has no existing reinsurance for policies insuring FGIC CP's CDS obligations. Accordingly, the GPIF and NPIF amounts stated herein are the same.

business were approximately $4.8 billion and $4.4 billion, respectively. In addition, FGIC UK's total GPIF and NPIF were approximately $7.4 billion.[4]

Events Leading to Commencement of the Rehabilitation Proceeding

16. Since the fourth quarter of 2007, FGIC's business, results of operations, and financial condition have been adversely affected by, among other things, significant losses on policies relating to a number of RMBS and ABS CDOs backed primarily by subprime RMBS. Because of a dramatic, sustained increase in payment defaults on the U.S. residential mortgage loans collateralizing these securities, there have been, and are expected to be, substantial shortfalls in funds available to make required payments on such securities, which shortfalls are guaranteed by FGIC. As a result, during the several years prior to November 2009, FGIC paid claims on its insurance policies far in excess of historical levels. These losses have resulted in a substantial reduction of FGIC's statutory policyholders' surplus over time.[5]

17. Due to the adverse developments described above, since January 2008, FGIC has been in contact with the NYSDFS regarding the measures that FGIC has taken, and sought to take, in order to mitigate losses and to preserve and enhance its statutory surplus position, and thereby protect its policyholders. To preserve capital, FGIC voluntarily ceased writing financial guaranty insurance policies concerning new or additional risks in January 2008, and FGIC has not paid any dividends or other distributions to its shareholders since that time. In addition, FGIC has completed various loss mitigation transactions and taken other affirmative

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[4] FGIC UK has no existing reinsurance. Accordingly, the GPIF and NPIF amounts stated herein are the same.

[5] Pursuant to Section 107(a)(42) of the NYIL, "policyholders' surplus" or "surplus to policyholders" means "the excess of total admitted assets over the liabilities of an insurer, which is the sum of all capital and surplus accounts minus any impairment thereof." Pursuant to Sections 4103 and 6902(b)(1) of the NYIL, FGIC, as a financial guaranty insurance company that is also licensed to write credit insurance and act as a surety, must maintain a policyholders' surplus of at least $66.4 million.

steps to mitigate potential losses, reduce expenses, and pursue loss recoveries, including, among other things, entering into consensual commutations, entering into reinsurance agreements, obtaining recoveries from various mortgage loan originators and other parties by pursuing loan repurchase claims and other remediation measures, initiating various lawsuits, arbitration proceedings, and other legal actions, and downsizing its staff.

18. Despite FGIC's implementation of voluntary loss mitigation measures, in its Quarterly Statement for the period ending September 30, 2009 (the "**September 30, 2009 Quarterly Statement**"), FGIC reported a deficit in policyholders' surplus of approximately $866 million, and an impairment of its required minimum surplus to policyholders of approximately $932 million.

19. On November 24, 2009, the NYSDFS, issued an order pursuant to Section 1310 of the NYIL, requiring FGIC, effective that day, to suspend paying any and all claims and prohibiting FGIC from writing any new policies (as supplemented on March 25, 2010, the "**1310 Order**"). A copy of the 1310 Order, including the supplement thereto, is attached hereto as **Exhibit D**. The 1310 Order also directed FGIC to submit a detailed and final plan to remove FGIC's capital impairment and return it to compliance with the applicable minimum statutory surplus requirement (the "**Surplus Restoration Plan**") by January 5, 2010, and to take such steps as may be necessary to remove the impairment of its capital and to return to compliance with its minimum surplus to policyholders by no later than June 15, 2010. The 1310 Order provided that FGIC shall operate only in the ordinary course and as necessary to effectuate the Surplus Restoration Plan. The 1310 Order also provided that if FGIC failed to provide the Superintendent with a final Surplus Restoration Plan by January 5, 2010, the Superintendent would seek an order of rehabilitation or liquidation of FGIC. Further, the 1310 Order explicitly

provided that it did not in any way limit the Superintendent's ability to seek an order of rehabilitation or liquidation of FGIC at any time.

20. FGIC submitted a proposed Surplus Restoration Plan, which sought to eliminate the impairment of FGIC's policyholder' surplus, to the Superintendent on December 22, 2009, and subsequently submitted an amended and restated Surplus Restoration Plan (as so amended and restated, the "**FGIC Surplus Restoration Plan**"). The FGIC Surplus Restoration Plan included three key loss mitigation components:

a. remediating a substantial portion of FGIC's exposure to RMBS and ABS insured by FGIC in the primary market and for which it has established statutory loss reserves, including by the consensual "stripping" of FGIC insurance on all or a substantial portion of such RMBS and ABS through various consensual remediation transactions, including an exchange offer for such RMBS and ABS (the "**Offer**");

b. commuting, terminating, or reinsuring a substantial portion of FGIC's remaining exposure to ABS CDOs and to certain other obligations for which it has established statutory loss reserves, including RMBS insured by FGIC in the secondary market, through consensual transactions; and

c. mitigating FGIC's existing exposure to claims based on termination of certain FGIC-insured CDS contracts (the "**Termination Payments**"),[6] pursuant to consensual transactions with counterparties to the underlying contracts.

21. Although FGIC reached definitive agreements, or agreements in principle, with certain Counterparties and other policy beneficiaries to effectuate certain of the loss mitigation transactions contemplated by the FGIC Surplus Restoration Plan, such transactions were conditioned on, among other things, the successful closing of the Offer. The Offer did not receive a level of participation from eligible holders sufficient to satisfy the conditions necessary

[6] Pursuant to the terms of the CDS contracts issued by FGIC CP and insured by FGIC, if an event of default occurs under, and as defined in, any CDS contract insured by FGIC, the Counterparty may have the right to terminate such CDS contract (and its other CDS contracts under the same ISDA Master Agreement) and may assert a claim for a Termination Payment due from FGIC CP, the payment of which is guaranteed by FGIC.

to complete the Offer and eliminate FGIC's deficit in policyholders' surplus. The FGIC Surplus Restoration Plan was, therefore, not implemented and FGIC was unable to remove the impairment of its capital as required by the 1310 Order. As of March 31, 2012, FGIC's deficit in policyholders' surplus was approximately $3.7 billion, consisting of admitted assets of approximately $2.1 billion and liabilities including contingency reserves of approximately $5.8 billion. FGIC's deficit in policyholders' surplus has not materially improved since that time. Pursuant to Sections 4103 and 6902(b)(1) of the NYIL, as a financial guaranty insurance company that is also licensed to transact credit insurance and act as a surety, FGIC must maintain a policyholders' surplus of at least $66.4 million.

22. Since September 2010, as a consequence of FGIC's inability to gain the necessary level of participation in the Offer, FGIC has been developing a possible plan of rehabilitation to restore FGIC's minimum statutory policyholders' surplus and to restructure FGIC's liabilities in a manner that is fair and equitable to its policyholders and other creditors. In the first quarter of 2011, FGIC presented to the Superintendent a proposed plan of rehabilitation (the "**FGIC Proposed Plan**") that it had discussed with certain policyholders.

23. The Superintendent and the New York Liquidation Bureau (the "**NYLB**"), in its capacity as the entity that will carry out the responsibilities of the to-be-appointed Rehabilitator, reviewed the FGIC Proposed Plan. The Superintendent determined that further attempts to return FGIC's policyholders' surplus to the minimum statutory requirement outside of an Article 74 proceeding would be futile. The Superintendent, in his capacity as Rehabilitator, intends to file a plan of rehabilitation in the Rehabilitation Proceeding that is based in part on the FGIC Proposed Plan, but modified by such changes as the Superintendent views

are appropriate to best provide fair and equitable treatment of FGIC's policyholders and other creditors.

24. FGIC has consented to the commencement of this Rehabilitation Proceeding, entry of the Rehabilitation Order, and appointment of the Superintendent as rehabilitator of FGIC, as evidenced by a Certificate of the Secretary of FGIC certifying a copy of the resolutions of FGIC's board of directors, a copy of which is attached hereto as **Exhibit E** (the "**Certificate**").

Grounds for Commencement of the Rehabilitation Proceeding

25. Pursuant to Section 7402 of the NYIL, at least three separate grounds exist to place FGIC into rehabilitation, any one of which would constitute sufficient grounds for issuance of the Proposed Rehabilitation Order: (i) FGIC's consent to the Rehabilitation Proceeding; (ii) FGIC's insolvency, and (iii) FGIC's inability to remove an impairment of its capital.

FGIC's Consent to Rehabilitate

26. Section 7402(*l*) of the NYIL provides that a domestic insurer may be placed into rehabilitation if it "[h]as consented to such an order through a majority of its directors, shareholders, or members." As evidenced by the Certificate, FGIC's board of directors has unanimously adopted resolutions consenting to the entry of an order of rehabilitation and the commencement of this Rehabilitation Proceeding. Such ground alone constitutes a sufficient basis for entry of the Proposed Rehabilitation Order in accordance with Section 7402(*l*) of the NYIL. Accordingly, FGIC may and should be placed into rehabilitation pursuant to Article 74 of the NYIL.

FGIC's Insolvency

27. Section 7402(a) of the NYIL provides that the Superintendent may apply for an order directing him to rehabilitate a domestic insurer that is insolvent within the meaning of Section 1309 of the NYIL. Section 1309 of the NYIL provides:

> Whenever the superintendent finds from a financial statement or report on examination that an authorized insurer is unable to pay its outstanding lawful obligations as they mature in the regular course of business, as shown by an excess of required reserves and other liabilities over admitted assets, or by its not having sufficient assets to reinsure all outstanding risks with other solvent authorized assuming insurers after paying all accrued claims owed, such insurer shall be deemed insolvent and the superintendent may proceed against it pursuant to the provisions of article seventy-four of this chapter.

28. On November 20, 2009, FGIC submitted its September 30, 2009 Quarterly Statement to the Superintendent, which reflected a deficit in the policyholders' surplus of approximately $866 million, and an impairment of its required minimum surplus to policyholders of approximately $932 million. On November 24, 2009, the Superintendent issued the 1310 Order requiring FGIC to suspend payment of any and all claims and to take such steps as may be necessary to remove the impairment of its capital and return to compliance with its minimum statutory policyholders' surplus requirement. On December 22, 2009, FGIC submitted the FGIC Surplus Restoration Plan, which sought to eliminate the impairment of FGIC's policyholders' surplus through three loss mitigation concepts, which were ultimately unsuccessful.

29. Despite FGIC's attempted implementation of the FGIC Surplus Restoration Plan, and other loss mitigation measures, every Quarterly Statement and Annual Statement submitted by FGIC since the September 30, 2009 Quarterly Statement has also

reflected a deficit in policyholders' surplus, as set forth below (all amounts are rounded to the nearest thousand):

Quarterly / Annual Statement	**Policyholders' Surplus Deficit**
September 30, 2009	$865,835,000
December 31, 2009	$1,281,420,000
March 31, 2010	$1,640,404,000
June 30, 2010	$1,686,868,000
September 30, 2010	$1,700,344,000
December 31, 2010	$2,227,084,000
March 31, 2011	$2,620,308,000
June 30, 2011	$2,728,031,000
September 30, 2011	$3,678,552,000
December 31, 2011	$3,567,077,000
March 31, 2012	$3,742,512,000

30. FGIC's March 31, 2012 Quarterly Statement, for example, indicates that FGIC continued to be in a policyholders' surplus deficit position of approximately $3.7 billion, consisting of admitted assets of approximately $2.1 billion and liabilities including contingency reserves of approximately $5.8 billion. The Superintendent understands from FGIC that FGIC's policyholders surplus deficit position has not materially improved from that reported in the March 31, 2012 Quarterly Statement.

31. Based on the foregoing, the Superintendent has determined that FGIC is insolvent within the meaning of Section 1309 of the NYIL. Such ground alone constitutes a sufficient basis for entry of the Proposed Rehabilitation Order in accordance with Section 7402(a) of the NYIL. Accordingly, FGIC can and should be placed into rehabilitation pursuant to Article 74 of the NYIL.

FGIC's Inability to Remove the Impairment of Its Capital

32. Section 7402(c) of the NYIL provides that a domestic insurer may be placed into rehabilitation if the insurer has "failed or refused to comply, within the time designated by the superintendent, with an order of the superintendent, pursuant to law, to make good an impairment of its capital, or minimum surplus to policyholders, if a stock insurer."

33. Pursuant to the 1310 Order, the Superintendent ordered FGIC to "take such steps as may be necessary to remove the impairment of its capital and to return to compliance with its minimum surplus to policyholders' requirement by not later than June 15, 2010."

34. Pursuant to Sections 4103 and 6902(b)(1) of the NYIL, FGIC, as a financial guaranty insurance company that is also licensed to transact credit insurance and act as a surety, must maintain a policyholders' surplus of at least $66.4 million. FGIC was thus unable to comply with an order of the Superintendent to make good an impairment of its capital or minimum surplus to policyholders within the time designated by the Superintendent. Such ground alone constitutes a sufficient basis for entry of the Proposed Rehabilitation Order in accordance with Section 7402(c) of the NYIL. Accordingly, FGIC may and should be placed into rehabilitation pursuant to Article 74 of the NYIL.

Relief Requested

35. In light of the foregoing, the undersigned respectfully requests that the Court issue the Proposed Rehabilitation Order, which order would, among other things: (i) appoint the Superintendent and his successors in office as the Rehabilitator of FGIC and vest the Rehabilitator with all powers and authority that are either expressed or implied under Article 74 of the NYIL or are otherwise set forth in the Proposed Rehabilitation Order; (ii) authorize and direct the Rehabilitator to take possession and/or control of FGIC's property and assets and to conduct FGIC's business; (iii) order that the Rehabilitator may deal with the property and business of FGIC in FGIC's name or in the name of the Rehabilitator, including, without limitation, continue, commence, advance, defend, or prosecute any action, claim, lawsuit, arbitration, alternative dispute resolution proceeding, or other formal legal or administrative proceedings in any municipal, state, federal, or foreign court, administrative body, or other tribunal; (iv) direct the Rehabilitator to take such steps toward the removal of the causes and conditions that have made the Rehabilitation Proceeding necessary as the Rehabilitator shall deem prudent and advisable; and (v) defer, until further order of this Court, the deadline for all persons and entities having claims against FGIC to file or present their claims to the Rehabilitator.

36. The undersigned further respectfully requests that the Court grant, pursuant to Section 7419 of the NYIL, the injunctive relief set forth in paragraphs 6 through 19 of the Proposed Rehabilitation Order and paragraphs 1 through 14 of the order to show cause filed contemporaneously herewith (the "**Order to Show Cause**"). Section 7419(a) of the NYIL provides that, "[u]pon application by the superintendent for an order to show cause under this article or at any time thereafter, the court . . . may without notice issue an injunction restraining the insurer, its officers, directors, shareholders, members, trustees, agents, servants, employees,

policyholders, attorneys, managers, and all other persons from the transaction of its business or the waste or disposition of its property." Section 7419(b) of the NYIL states that the Court may "at any time during a proceeding under this article issue such other injunctions or orders as it deems necessary to prevent interference with the superintendent or the proceeding, or waste of assets of the insurer, or the commencement or prosecution of any actions, the obtaining of preferences, judgments or other liens, or the making of any levy against the insurer, its assets or any part thereof."

37. The injunctive relief set forth in the Proposed Rehabilitation Order and the Order to Show Cause is necessary to enable the Rehabilitator to fulfill his statutory mandate "to take possession of the property of [the] insurer and to conduct the business thereof, and to take such steps toward the removal of the causes and conditions which have made such proceeding necessary as the court shall direct." N.Y. Ins. Law § 7403(a).

38. In addition, such relief is necessary to prevent immediate and irreparable harm that would result from preferential treatment of certain policyholders, dissipation of estate assets, and interference with the Rehabilitator or the Rehabilitation Proceeding. Absent the injunctive relief requested, certain FGIC policyholders and other creditors may seek to use the commencement or continuation of the Rehabilitation Proceeding or the occurrence or existence of the Rehabilitation Circumstances[7] as grounds for taking certain actions that would benefit

[7] As used herein, the term "**Rehabilitation Circumstances**" means the circumstances and events, whenever arising, giving rise to the Rehabilitation Proceeding or in existence from and after, or giving rise to or at any time resulting from, issuance of the 1310 Order, including (i) the financial condition of FGIC or FGIC CP, (ii) the grounds for the Rehabilitation Proceeding described in this Rehabilitation Petition, (iii) actions taken or statements made by FGIC, FGIC CP, the NYSDFS, the Superintendent, the NYLB or any other person or entity in connection with or in contemplation of the 1310 Order or the Rehabilitation Proceeding, (iv) any ratings downgrade of FGIC or any affiliate thereof, (v) any failure by FGIC or FGIC CP to pay any amount (whether due to the 1310 Order, the injunctive relief in the Order to Show Cause, the Proposed Rehabilitation Order, or otherwise), and (vi) the issuance and existence of the 1310 Order.

them to the detriment of policyholders generally, including without limitation, (i) withholding or setting off payments otherwise owed to FGIC or FGIC CP, (ii) terminating contracts with FGIC CP and asserting significant Termination Payment claims against FGIC and FGIC CP, or (iii) stripping FGIC or FGIC CP of valuable control rights over underlying collateral or related litigation. The injunctive relief requested is therefore necessary to prohibit such creditors from seeking to take such actions and potentially causing immediate and irreparable harm to FGIC's estate.

39. The undersigned further respectfully requests that the Court confirm that there is no liability on the part of the Rehabilitator, the NYLB, or any of their respective employees, attorneys, representatives, or agents when acting in good faith, in accordance with the orders of this Court, and/or, in the case of the Rehabilitator and the NYLB, in the performance of their duties pursuant to Article 74 of the NYIL. The Rehabilitator acts in a private capacity under the supervision of this Court pursuant to Article 74 of the NYIL. Immunity is customarily granted to court-appointed receivers in order to protect them against potential exposure of their private assets to claims arising from performance of their statutorily-mandated and court-appointed duties. The recognition of judicial immunity for the Rehabilitator, and his agents and employees, is consistent with public policy, and is necessary to enable the Rehabilitator to perform his receivership function without fear or threat of litigation.

40. In accordance with Section 7417 of the NYIL, this proceeding is being commenced by order to show cause.

41. There has been no previous application for the relief requested herein.

WHEREFORE, the Superintendent respectfully requests that this Court grant the relief requested herein and such other and further relief as this Court may deem just and proper.

Dated: New York, New York
June 11, 2012

Benjamin M. Lawsky
Superintendent of Financial Services
of the State of New York

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

Benjamin M. Lawsky, being duly sworn, deposes and says:

That he is the Superintendent of Financial Services of the State of New York and that he executed the foregoing petition; that he is acquainted with the facts therein stated; that he knows the contents of the petition and that the same is true to his own knowledge, except as to the matters stated to be alleged upon information and belief and that as to those matters he believes them to be true.

Deponent says that the sources of information and the grounds of his own knowledge and belief, as to the matters stated in said petition to be alleged upon information and belief, are the records of the New York State Department of Financial Services and the verifications of Matti Peltonen, the Acting Executive Deputy Superintendent for the Markets Division of the New York State Department of Financial Services, and John S. Dubel, the Chief Executive Officer of Financial Guaranty Insurance Company annexed hereto.

Benjamin M. Lawsky
Superintendent of Financial Services
of the State of New York

Sworn to before me this
8TH day of June, 2012

Notary Public

MICHAEL J. CAMPANELLI
Notary Public, State of New York
No 02-4996425
Qualified in Suffolk County
Certificate Filed in New York County
Commission Expires May 18, ~~19~~ 2014

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

Matti Peltonen, being duly sworn, deposes and says:

That he is the Acting Executive Deputy Superintendent for the Markets Division of the New York State Department of Financial Services ("**NYSDFS**") and that he reviewed the foregoing petition; that he is acquainted with the facts therein stated; that he knows the contents of paragraphs 2 through 4, 8 through 10, 12, 19, 23, 25 through 34, and 37 of the petition and that the same is true to his own knowledge, and information and belief, the sources of which are the records maintained by the NYSDFS.

Matti Peltonen
Acting Executive Deputy Superintendent
Markets Division
New York State Department of
Financial Services

Sworn to before me this
8TH day of June, 2012

Notary Public

MICHAEL J. CAMPANELLI
Notary Public, State of New York
No 02-4996425
Qualified in Suffolk County
Certificate Filed in New York County
Commission Expires May 18, ~~19~~ 2014

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

John S. Dubel, being duly sworn, deposes and says:

That he is the Chief Executive Officer of Financial Guaranty Insurance Company ("**FGIC**") and that he reviewed the foregoing petition; that he is acquainted with the facts therein stated; that he knows the contents of paragraphs 5 through 7, 11, 13 through 18, 20 through 22, 24, and 38 of the petition and that the same is true to his own knowledge, and information and belief, the sources of which are the records maintained by FGIC.

John S. Dubel
Vice Chairman and Chief Executive Officer
Financial Guaranty Insurance Company

Sword to before me this
8th day of June, 2012

Camille A. Taylor
Notary Public

Camille A. Taylor
Notary Public, State of New York
No. 43-OITA4994058
Qualified in Richmond County
Certificate Filed in New York County
Commission Expires March 30, 2014

In accordance with Part 130, I advise that the following papers are attached

Order to Show Cause
Verified Petition

Eric T. Schneiderman
Attorney General for the State of New York

By: ______________________

Elizabeth Prickett-Morgan
Assistant Attorney General
120 Broadway, 24th Floor
New York, NY 10271
(212) 416-6276

<u>Exhibit A</u>

Proposed Rehabilitation Order

AT IAS PART ___ OF THE SUPREME COURT OF THE STATE OF NEW YORK, COUNTY OF NEW YORK, AT THE COURTHOUSE, ___ CENTRE STREET, IN THE COUNTY, CITY AND STATE OF NEW YORK, ON THE ___DAY OF JUNE, 2012

PRESENT:
HON. ______________________, J.S.C.

In the Matter of the Application of Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York, for an order to take possession of the property of and rehabilitate FINANCIAL GUARANTY INSURANCE COMPANY.	:	Index No. ________/2012 **ORDER OF REHABILITATION**

Petitioner, Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York (the "**Superintendent**"), having moved this Court for an order placing Financial Guaranty Insurance Company ("**FGIC**") into rehabilitation, and upon reading and filing the Order to Show Cause dated June ___, 2012, the verified petition of the Superintendent, duly verified the 11th day of June, 2012 (the "**Rehabilitation Petition**"),[1] the exhibits attached to the Rehabilitation Petition, and the Memorandum of Law in Support of the Rehabilitation Petition, and the Court having held a full hearing to consider the requested relief, this Court finds that:

a. FGIC is a New York State stock insurance company that issued financial guaranty insurance;

b. FGIC's statutory home office is located at 125 Park Avenue, New York, New York 10017;

[1] Capitalized terms not otherwise defined shall have the meanings ascribed to them in the Rehabilitation Petition.

c. FGIC is subject to the New York Insurance Law ("**NYIL**") and, in particular, to Article 74 thereof;

d. FGIC has consented to entry of an order of rehabilitation pursuant to Article 74 of the NYIL by a resolution of FGIC's board of directors;

e. FGIC is insolvent within the meaning of Section 1309 of the NYIL;

f. FGIC has been unable to comply, within the time designated by the Superintendent, with an order of the Superintendent pursuant to Section 1310 of the NYIL, to make good an impairment of its capital or minimum surplus to policyholders;

g. It is in the best interest of FGIC's policyholders, creditors, and the general public that the Superintendent be directed to take possession of FGIC's property and to rehabilitate its business and affairs;

h. FGIC is the sole member of FGIC Credit Products, LLC ("**FGIC CP**"), a Delaware limited liability company that issued credit default swaps ("**CDS**") to certain buyers of credit protection. FGIC wrote financial guaranty insurance policies for the benefit of counterparties to CDS with FGIC CP (collectively, "**Counterparties**"), which policies insure FGIC CP's obligations under such CDS. The financial obligations of FGIC and FGIC CP, with respect to such CDS, are sufficiently interconnected to warrant a grant of the relief requested herein with respect to FGIC CP; and

i. Judicial immunity applies to the Rehabilitator, the NYLB, and their respective employees, attorneys, representatives, and agents for any action taken by them when acting in good faith, in accordance with the orders of this Court, and/or, in the case of the Rehabilitator and the NYLB, in the performance of their duties pursuant to Article 74 of the NYIL.

NOW, on motion of Eric T. Schneiderman, Attorney General of the State of New York, it is ORDERED as follows:

1. The relief requested in the Rehabilitation Petition is granted;

2. The Superintendent, and his successors in office, is appointed rehabilitator (the "**Rehabilitator**") of FGIC and is vested with all powers and authority expressed or implied under Article 74 of NYIL and this Order;

3. The Rehabilitator is authorized and directed to take possession and/or control of FGIC's property and assets and to conduct FGIC's business;

4. The Rehabilitator may deal with the property and business of FGIC in FGIC's name or in the name of the Rehabilitator including, without limitation, continue, commence, advance, defend, or prosecute any action,

claim, lawsuit, arbitration, alternative dispute resolution proceeding, or other formal legal or administrative proceedings in any municipal, state, federal, or foreign court, administrative body, or other tribunal;

5. The Rehabilitator is directed to take such steps toward the removal of the causes and conditions that make this rehabilitation proceeding (the "**Rehabilitation Proceeding**") necessary as the Rehabilitator may deem prudent and advisable;

6. All persons and entities, other than the Rehabilitator, are permanently enjoined and restrained, except as authorized by the Rehabilitator or his designee in writing, from: (i) transacting FGIC's business, (ii) disposing of FGIC's property; (iii) interfering with the Rehabilitator's possession, control, or management of FGIC's property or the discharge of the Rehabilitator's duties with regard to FGIC or the Rehabilitation Proceeding; and (iv) disclosing the name, address, or contact information of FGIC's policyholders, or any other information that is proprietary to FGIC or not in the public domain;

7. All persons and entities are permanently enjoined and restrained from wasting or permitting to be done any act or thing that might waste FGIC's property;

8. All persons and entities are enjoined and restrained from commencing, continuing, advancing, or otherwise prosecuting any actions, claims, lawsuits, arbitrations, alternative dispute resolution proceedings, or other formal legal or administrative proceedings in any municipal, state, federal, or foreign court, administrative body, or other tribunal, against (i) the Rehabilitator, the New York State Department of Financial Services ("**NYSDFS**"), the Superintendent, the New York Liquidation Bureau (the "**NYLB**"), any of their respective officers, employees, attorneys, representatives, or agents, or any directors, officers, employees, attorneys, representatives, or agents of FGIC or FGIC CP, in each case as related to FGIC, FGIC CP, the Rehabilitation Circumstances (as defined below), or the Rehabilitation Proceeding; or (ii) FGIC or FGIC CP.

9. All persons and entities are enjoined and restrained from taking any steps to transfer, foreclose, sell, assign, garnish, levy, encumber, attach, dispose of, exercise, or enforce purported rights in or against any claimed interest in any property or assets of FGIC or FGIC CP or any part thereof;

10. All directors, trustees, officers, employees, agents, or representatives, if any, of FGIC and FGIC CP are hereby enjoined and restrained from paying any claims or performing any other obligations of FGIC or FGIC CP under any policy, contract, or other instrument to which FGIC or FGIC CP is a party or by which FGIC or FGIC CP is bound (a "**FGIC**

Policy/Contract") except as authorized by the Rehabilitator or his designee in writing;

11. All persons and entities are enjoined and restrained from seeking to acquire, acquiring, or exercising voting or other corporate governance rights pursuant to or under FGIC's outstanding preferred stock;

12. All persons and entities are enjoined and restrained from withholding or continuing to withhold, subordinating, failing to pay, setting-off, or taking similar action with respect to payments (including, without limitation, recoveries or reimbursements) owed (or that would have been or would be owed but for the commencement or continuation of the Rehabilitation Proceeding or the occurrence or existence of any of the Rehabilitation Circumstances) to FGIC or FGIC CP under any FGIC Policy/Contract, or any Transaction Document (as defined below) executed in connection with the issuance of or entry into such FGIC Policy/Contract or related to such FGIC Policy/Contract or any obligations insured or covered thereby, regardless of the existence of any provisions in such FGIC Policy/Contract or Transaction Document that would or may otherwise permit such withholding, subordination, failure to pay, setting-off, or similar action. As used herein, the term "**Rehabilitation Circumstances**" means the circumstances and events, whenever arising, giving rise to the Rehabilitation Proceeding or in existence from and after, or giving rise to or at any time resulting from, issuance of the 1310 Order, including (i) the financial condition of FGIC or FGIC CP, (ii) the grounds for the Rehabilitation Proceeding described in the Rehabilitation Petition, (iii) actions taken or statements made by FGIC, FGIC CP, the NYSDFS, the Superintendent, the NYLB or any other person or entity in connection with or in contemplation of the 1310 Order or the Rehabilitation Proceeding, (iv) any ratings downgrade of FGIC or any affiliate thereof, (v) any failure by FGIC or FGIC CP to pay any amount (whether due to the 1310 Order, the injunctive relief in the Order to Show Cause, this Order, or otherwise), and (vi) the issuance and existence of the 1310 Order;

13. All persons and entities (other than the Rehabilitator or as authorized in writing by the Rehabilitator or his designee) are enjoined and restrained from (i) terminating, accelerating, liquidating, closing out, collecting on, claiming against, making any demand or delivering any notice under, or otherwise exercising or enforcing rights or remedies or taking any action under or with respect to, or attempting to terminate, accelerate, liquidate, close out, collect on, claim against, make any demand or deliver any notice under, or otherwise exercise or enforce rights or remedies or take action under or with respect to any FGIC Policy/Contract or any Transaction Document (as defined below) executed in connection with the issuance of or entry into such FGIC Policy/Contract or related to such FGIC Policy/Contract or any obligations insured or covered thereby, on

the basis of the commencement or continuation of the Rehabilitation Proceeding or the occurrence or existence of any of the Rehabilitation Circumstances, regardless of the existence of any provisions in such FGIC Policy/Contract or Transaction Document (as defined below) that would or may otherwise permit or require such termination, acceleration, liquidation, closing out, collection, claim, demand, notice, exercise, enforcement, or action, and/or (ii) asserting claims as a result of any actual or attempted early termination of any FGIC Policy/Contract including without limitation Termination Payments (whether calculated on the basis of "Market Quotation", "Loss", "Close-out Amount," or other methodologies) under or in relation to such FGIC Policy/Contract;

14. All persons and entities (other than the Rehabilitator or as authorized in writing by the Rehabilitator) are enjoined and restrained from: (i) exercising or taking any action to exercise any approval, consent, direction, determination, appointment, request, voting, veto, waiver, or other right or remedy that FGIC or FGIC CP may have directly or indirectly (through the right to direct or grant or withhold consent with respect to such exercise or otherwise) (or that FGIC or FGIC CP would or may have directly or indirectly but for the commencement or continuation of the Rehabilitation Proceeding or the occurrence or existence of any of the Rehabilitation Circumstances) (the "**FGIC Rights**") under or with respect to any policies, contracts, or other instruments or documents relating to any FGIC Policy/Contract or any obligations insured or covered thereby, including without limitation any financial guaranty policies, fee letters or premium agreements, insurance and indemnification agreements, credit default swaps or other credit derivative transaction agreements, interest rate or currency rate swap agreements, basis swap agreements, total return swap agreements, indentures, trust deeds, pooling and servicing agreements, pooling agreements, sale and servicing agreements, sale agreements, collateral management or administration agreements, servicing agreements, credit or loan agreements, residential mortgage-backed securities transaction documents, guarantee investment certificates, custodial account agreements, note purchase agreements, or other financing or transaction documents of any kind (collectively, "**Transaction Documents**" and each a "**Transaction Document**"); or (ii) failing to take, or taking any action inconsistent with, any action (or inaction) directed (whether actively or passively) to be taken under any Transaction Document pursuant to the exercise by FGIC, FGIC CP, or the Rehabilitator of any FGIC Rights; or (iii) failing to provide, or causing to be provided, to FGIC or FGIC CP any notice, request, or other communication or document that FGIC or FGIC CP may have the right to receive (or that FGIC or FGIC CP would or may have the right to receive but for the commencement or continuation of the Rehabilitation Proceeding or the occurrence or the existence of any of the Rehabilitation Circumstances). For the avoidance of doubt, this paragraph does not enjoin or restrain any servicer (including any master servicer, sub-servicer

or special servicer) from servicing underlying collateral to the extent it would be permitted to do so under the applicable Transaction Documents (without regard to the commencement or continuation of the Rehabilitation Proceeding or the occurrence or existence of any Rehabilitation Circumstances);

15. FGIC and all persons and entities having any property belonging to or relating to FGIC, as applicable, including but not limited to, business records, insurance policies, claims files (electronic or paper), software programs, bank records, or any tangible or intangible items of value, shall preserve such property and are directed, immediately upon the Rehabilitator's request, to assign, transfer, turn over and deliver such property to the Rehabilitator or his designees;

16. Any person or entity providing claims processing services, data processing services, electronic records retention services, or other information technology services to or on behalf of FGIC shall maintain and preserve all information in its possession ("**Information**") relating in any way to FGIC and its rights and obligations, wherever located, including but not limited to all documents, data, electronic files and records, computer equipment (e.g., servers and printers), software programs and software licenses owned or leased by FGIC and are directed, upon the Rehabilitator's request, to promptly submit all such Information to the Rehabilitator or his designees;

17. Any bank, savings and loan association, other financial institution or any other entity or person, which has on deposit or in its possession, custody, or control any of FGIC's funds, accounts or assets, shall immediately upon the Rehabilitator's request and direction: (i) turn over custody and control of such funds, accounts, or assets to the Rehabilitator or his designees; (ii) transfer title of such funds, accounts, or assets to the Rehabilitator or his designees; (iii) change the name of such accounts to the name of the Rehabilitator; (iv) transfer funds from such bank, savings and loan association or other financial institution; or (v) take any other action necessary for the proper conduct of the Rehabilitation Proceeding;

18. Without limiting the ability of the Rehabilitator to reject, modify, or renegotiate any contract, lease, or arrangement concerning FGIC, all persons and entities that provide goods or services to FGIC shall continue to provide such goods or services to the Rehabilitator pursuant to the terms of any contract, lease, or other arrangement with FGIC, regardless of the existence of any provisions in any contract or lease that would otherwise excuse performance on the basis of the commencement or continuation of the Rehabilitation Proceeding or the occurrence or existence of any of the Rehabilitation Circumstances;

19. All persons and entities are enjoined and restrained from seeking to impose liability upon the Rehabilitator, the NYLB, or any of their respective employees, attorneys, representatives, or agents relating to or arising out of the Rehabilitation Proceeding or the Rehabilitation Circumstances;

20. The injunctive relief granted by this Order shall issue without the furnishing of an undertaking by the Superintendent. CPLR § 2512(a);

21. Nothing herein prevents any person or entity from asserting a claim in this Rehabilitation Proceeding, provided, however, that no person or entity may trigger or submit claims for Termination Payments (or take any action in furtherance thereof) or otherwise take any action prohibited by the provisions of this Order. Pending further Court order, policyholders and other claimants should submit their notices of claim or similar demands pursuant to the procedures and service requirements specified in their policies or contracts. Without extending the deadline for filing a claim in any FGIC Policy/Contract, the deadline set forth in Section 7432(b) of the NYIL for all persons and entities having claims against FGIC to file or present their claims to the Rehabilitator is deferred until further order of this Court;

22. Any person seeking modification of, or relief from, the injunctive relief set forth in this Order (an "**Objecting Party**") shall submit a written request to the Rehabilitator setting forth good cause for such modification or relief. If the Objecting Party and the Rehabilitator reach a settlement regarding such modification or relief, the Rehabilitator shall submit a request to the Court seeking approval of such settlement. If the Objecting Party and the Rehabilitator fail to reach a settlement within 30 days of the Rehabilitator's receipt of such request, or such longer time as both the Rehabilitator and the Objecting Party agree, the Objecting Party may seek relief with this Court;

23. The Rehabilitator may at any time make further application to this Court for such further and different relief as he sees fit;

24. A copy of this Order shall be served forthwith by certified and regular mail upon: John S. Dubel, Chief Executive Officer of FGIC, at the statutory home office of FGIC, located at 125 Park Avenue, New York, New York 10017, and Stroock & Stroock & Lavan LLP attn. William D. Latza, counsel for FGIC, located at 180 Maiden Lane, New York, NY 10038;

25. The Rehabilitator shall provide notice of this Order to all creditors and policyholders by (i) mailing such notice to all known creditors and policyholders by first class mail; (ii) publishing such notice in the Wall Street Journal and The Bond Buyer; and (iii) posting such notice on the

internet website maintained by the NYLB for this Rehabilitation Proceeding which shall be accessible from http://www.nylb.org and http://www.fgic.com within 30 days after the entry of this Order;

26. This Court shall have exclusive jurisdiction to interpret, implement, and enforce the provisions of this Order and to hear any and all matters relating to the Rehabilitation Proceeding; and

27. All further papers with respect to FGIC in this proceeding shall bear the caption:

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

- X		
	:	Index No. ________/2012
In the Matter of the Rehabilitation of FINANCIAL GUARANTY INSURANCE COMPANY.	:	
- X		

E N T E R

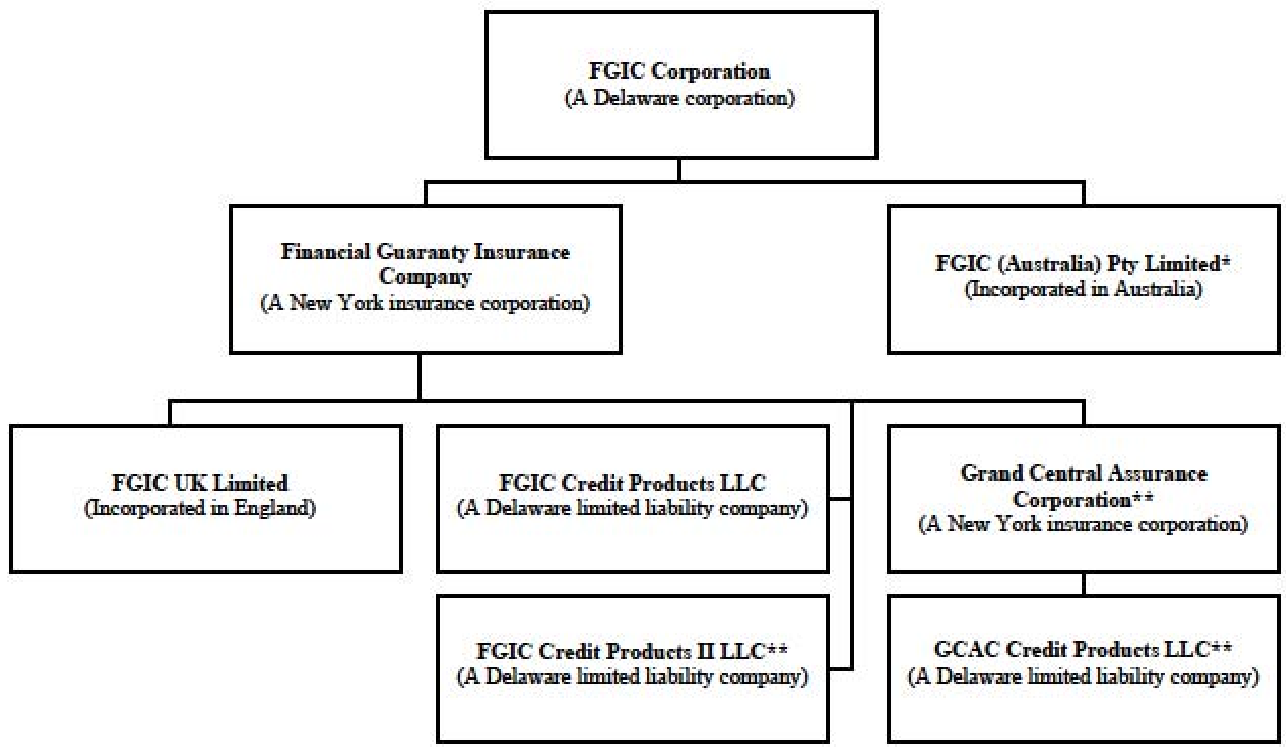
____
J.S.C.

<u>Exhibit B</u>

Organizational Chart

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

FGIC Corporation Structure



All ownership interests are 100%

* In process of being dissolved.

** Formed in June 2010 in anticipation of Surplus Restoration Plan. Currently not active or licensed.

Last modified March 28, 2012

<u>Exhibit C</u>

March 31, 2012 Quarterly Statement

PROPERTY AND CASUALTY COMPANIES —ASSOCIATION EDITION

1 2 8 1 5 2 0 1 2 2 0 1 0 0 1 0 1

QUARTERLY STATEMENT

AS OF MARCH 31, 2012

OF THE CONDITION AND AFFAIRS OF THE

FINANCIAL GUARANTY INSURANCE COMPANY

NAIC Group Code 0000 (Current Period), 0000 (Prior Period) NAIC Company Code 12815 Employer's ID Number 13-2710717

Organized under the Laws of New York, State of Domicile or Port of Entry New York

Country of Domicile United States

Incorporated/Organized 04/10/1972 Commenced Business 07/01/1972

Statutory Home Office 125 Park Avenue (Street and Number), New York, NY 10017 (City or Town, State and Zip Code)

Main Administrative Office 125 Park Avenue (Street and Number) New York, NY 10017 (City or Town, State and Zip Code) 212-312-3000 (Area Code) (Telephone Number)

Mail Address 125 Park Avenue (Street and Number or P.O. Box), New York, NY 10017 (City or Town, State and Zip Code)

Primary Location of Books and Records 125 Park Avenue (Street and Number) New York, NY 10017 (City or Town, State and Zip Code) 212-312-2716 (Area Code) (Telephone Number

Internet Web Site Address http://www.fgic.com

Statutory Statement Contact Nick Santoro (Name) 212-312-2716 (Area Code) (Telephone Number) (Extension)

nick.santoro@fgic.com (E-Mail Address) 212-312-3084 (Fax Number)

OFFICERS

Name	Title	Name	Title
John S. Dubel	Chief Executive Officer	A. Edward Turi III	General Counsel
Nick Santoro	Chief Financial Officer		

OTHER OFFICERS

DIRECTORS OR TRUSTEES

John S. Dubel	Kevin J. Doyle #	Robert L. Friedman	Daniel G. Helle
Robert B. Holland	Jeffrey P. Hughes	Thomas C. Wajnert	

State of ....New York...............................

ss

County of ....New York...............................

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

John S. Dubel	A. Edward Turi III	Nick Santoro
Chief Executive Officer	General Counsel	Chief Financial Officer

a. Is this an original filing? Yes [X] No [ ]

b. If no,
1. State the amendment number
2. Date filed
3. Number of pages attached

Subscribed and sworn to before me this
15th day of May, 2012

Camille A. Taylor
Notary Public, State of New York
No. 43-OITA4994058
Qualified in Richmond County
Certificate Filed in New York County
Commission Expires March 30, 20 14

ASSETS

	Current Statement Date 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 December 31 Prior Year Net Admitted Assets
1. Bonds	1,069,179,581		1,069,179,581	1,070,415,179
2. Stocks:				
2.1 Preferred stocks	3,713,344		3,713,344	3,713,344
2.2 Common stocks			0	0
3. Mortgage loans on real estate:				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate:				
4.1 Properties occupied by the company (less $ .... encumbrances)			0	0
4.2 Properties held for the production of income (less $ .... encumbrances)			0	0
4.3 Properties held for sale (less $ .... encumbrances)			0	0
5. Cash ($ 3,658,501), cash equivalents ($ 203,838) and short-term investments ($ 935,979,290)	939,841,629		939,841,629	934,767,817
6. Contract loans (including $ .... premium notes)			0	0
7. Derivatives			0	0
8. Other invested assets	0		0	0
9. Receivables for securities	28,509		28,509	0
10. Securities lending reinvested collateral assets			0	0
11. Aggregate write-ins for invested assets	23,429,794	0	23,429,794	23,627,682
12. Subtotals, cash and invested assets (Lines 1 to 11)	2,036,192,857	0	2,036,192,857	2,032,524,022
13. Title plants less $ .... charged off (for Title insurers only)			0	0
14. Investment income due and accrued	13,968,884		13,968,884	13,534,566
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection			0	0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ .... earned but unbilled premiums)	76,874		76,874	499,524
15.3 Accrued retrospective premiums			0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	1,410,939		1,410,939	199,419
16.2 Funds held by or deposited with reinsured companies			0	0
16.3 Other amounts receivable under reinsurance contracts	76,411		76,411	76,411
17. Amounts receivable relating to uninsured plans			0	0
18.1 Current federal and foreign income tax recoverable and interest thereon			0	0
18.2 Net deferred tax asset	0		0	0
19. Guaranty funds receivable or on deposit			0	0
20. Electronic data processing equipment and software			0	0
21. Furniture and equipment, including health care delivery assets ($ ....)	2,564,356	2,564,356	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
23. Receivables from parent, subsidiaries and affiliates	687,283		687,283	1,008,548
24. Health care ($ ....) and other amounts receivable			0	0
25. Aggregate write-ins for other than invested assets	3,454,599	1,861,493	1,593,106	1,430,217
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	2,058,432,203	4,425,849	2,054,006,354	2,049,272,707
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
28. Total (Lines 26 and 27)	2,058,432,203	4,425,849	2,054,006,354	2,049,272,707
DETAILS OF WRITE-INS				
1101. Other Invested Assets	23,429,794	0	23,429,794	23,627,682
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198)(Line 11 above)	23,429,794	0	23,429,794	23,627,682
2501. Cash Surrender Value of Life Insurance Policies	1,382,682		1,382,682	1,411,851
2502. Premium Taxes and State Income Tax Refunds	210,424		210,424	18,366
2503. Prepaid Expenses	1,861,493	1,861,493	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	3,454,599	1,861,493	1,593,106	1,430,217

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year $)	5,096,013,549	4,925,116,591
2. Reinsurance payable on paid losses and loss adjustment expenses		0
3. Loss adjustment expenses	61,490,390	67,750,116
4. Commissions payable, contingent commissions and other similar charges		0
5. Other expenses (excluding taxes, licenses and fees)	13,487,047	13,377,053
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		0
7.1 Current federal and foreign income taxes (including $ on realized capital gains (losses))	314,055	794,045
7.2 Net deferred tax liability		0
8. Borrowed money $ and interest thereon $		0
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of $ 736,305,753 and including warranty reserves of $ and accrued accident and health experience rating refunds including $ for medical loss ratio rebate per the Public Health Service Act)	161,609,312	170,703,958
10. Advance premium		0
11. Dividends declared and unpaid:		
11.1 Stockholders		0
11.2 Policyholders		0
12. Ceded reinsurance premiums payable (net of ceding commissions)	146,306	113,782
13. Funds held by company under reinsurance treaties		0
14. Amounts withheld or retained by company for account of others		0
15. Remittances and items not allocated		0
16. Provision for reinsurance	1,123,799	1,132,135
17. Net adjustments in assets and liabilities due to foreign exchange rates		0
18. Drafts outstanding		0
19. Payable to parent, subsidiaries and affiliates		0
20. Derivatives		0
21. Payable for securities	4,000,967	8,309,100
22. Payable for securities lending		0
23. Liability for amounts held under uninsured plans		0
24. Capital notes $ and interest thereon $		0
25. Aggregate write-ins for liabilities	458,333,270	429,052,022
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	5,796,518,695	5,616,348,802
27. Protected cell liabilities		0
28. Total liabilities (Lines 26 and 27)	5,796,518,695	5,616,348,802
29. Aggregate write-ins for special surplus funds	0	0
30. Common capital stock	15,000,000	15,000,000
31. Preferred capital stock	300,000,000	300,000,000
32. Aggregate write-ins for other than special surplus funds	0	0
33. Surplus notes		0
34. Gross paid in and contributed surplus	439,879,466	439,879,466
35. Unassigned funds (surplus)	(4,497,391,807)	(4,321,955,561)
36. Less treasury stock, at cost:		
36.1 shares common (value included in Line 30 $)		0
36.2 shares preferred (value included in Line 31 $)		0
37. Surplus as regards policyholders (Lines 29 to 35, less 36)	(3,742,512,341)	(3,567,076,095)
38. Totals (Page 2, Line 28, Col. 3)	2,054,006,354	2,049,272,707
DETAILS OF WRITE-INS		
2501. Contingency Reserve	458,333,270	429,052,022
2502.		
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	458,333,270	429,052,022
2901.		
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	0
3201.		
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page	0	0
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)	0	0

STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written $ 12,208,367)	45,072,285	33,441,598	152,917,402
1.2 Assumed (written $)		4,222,758	66,219,345
1.3 Ceded (written $ (1,111,023))	22,658,248	15,849,984	88,076,606
1.4 Net (written $ 13,319,390)	22,414,037	21,814,372	131,060,141
DEDUCTIONS:			
2. Losses incurred (current accident year $):			
2.1 Direct	174,843,939	389,795,788	1,354,069,558
2.2 Assumed		0	
2.3 Ceded	4,439,227	7,419,556	19,396,509
2.4 Net	170,404,712	382,376,232	1,334,673,049
3. Loss adjustment expenses incurred	(1,086,584)	2,682,859	46,908,396
4. Other underwriting expenses incurred	15,590,915	14,029,939	56,526,452
5. Aggregate write-ins for underwriting deductions	0	0	0
6. Total underwriting deductions (Lines 2 through 5)	184,909,043	399,089,030	1,438,107,897
7. Net income of protected cells		0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	(162,495,006)	(377,274,657)	(1,307,047,756)
INVESTMENT INCOME			
9. Net investment income earned	11,098,699	7,556,817	37,951,405
10. Net realized capital gains (losses) less capital gains tax of $	(383,394)	(518,259)	355,680
11. Net investment gain (loss) (Lines 9 + 10)	10,715,305	7,038,558	38,307,085
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered $ amount charged off $)		0	0
13. Finance and service charges not included in premiums		0	0
14. Aggregate write-ins for miscellaneous income	4,594,179	4,393,380	20,398,114
15. Total other income (Lines 12 through 14)	4,594,179	4,393,380	20,398,114
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(147,185,522)	(365,842,720)	(1,248,342,557)
17. Dividends to policyholders		0	0
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	(147,185,522)	(365,842,720)	(1,248,342,557)
19. Federal and foreign income taxes incurred	(476,188)	(447,258)	346,962
20. Net income (Line 18 minus Line 19)(to Line 22)	(146,709,334)	(365,395,462)	(1,248,689,519)
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	(3,567,076,095)	(2,227,083,893)	(2,227,083,893)
22. Net income (from Line 20)	(146,709,334)	(365,395,462)	(1,248,689,519)
23. Net transfers (to) from Protected Cell accounts		0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of $	0	1,236,383	(16,512,192)
25. Change in net unrealized foreign exchange capital gain (loss)	452,603	2,379,476	408,949
26. Change in net deferred income tax		0	0
27. Change in nonadmitted assets	93,398	(674,290)	16,065,669
28. Change in provision for reinsurance	8,336	7,582,488	16,639,922
29. Change in surplus notes		0	0
30. Surplus (contributed to) withdrawn from protected cells		0	0
31. Cumulative effect of changes in accounting principles		0	0
32. Capital changes:			
32.1 Paid in		0	0
32.2 Transferred from surplus (Stock Dividend)		0	0
32.3 Transferred to surplus		0	0
33. Surplus adjustments:			
33.1 Paid in		0	(1,206)
33.2 Transferred to capital (Stock Dividend)		0	0
33.3 Transferred from capital		0	0
34. Net remittances from or (to) Home Office		0	0
35. Dividends to stockholders		0	0
36. Change in treasury stock		0	0
37. Aggregate write-ins for gains and losses in surplus	(29,281,249)	(38,352,997)	(107,903,825)
38. Change in surplus as regards policyholders (Lines 22 through 37)	(175,436,246)	(393,224,401)	(1,339,992,202)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	(3,742,512,341)	(2,620,308,294)	(3,567,076,095)
DETAILS OF WRITE-INS			
0501.			
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0
1401. Other Income	181,584	39,285	18,933,188
1402. Salvage and Subrogation Income	4,412,595	4,354,095	1,464,926
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)	4,594,179	4,393,380	20,398,114
3701. (Increase) / decrease in contingency reserve	(29,281,249)	(38,352,997)	(107,903,825)
3702.			
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0	0
3799. TOTALS (Lines 3701 through 3703 plus 3798) (Line 37 above)	(29,281,249)	(38,352,997)	(107,903,825)

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance	13,774,563	15,554,146	72,547,922
2. Net investment income	12,282,869	6,859,671	34,172,898
3. Miscellaneous income	4,594,179	4,802,157	20,806,357
4. Total (Lines 1 to 3)	30,651,611	27,215,974	127,527,177
5. Benefit and loss related payments	5,892,416	3,591,712	(69,728,217)
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	15,228,028	14,891,722	55,094,891
8. Dividends paid to policyholders	0	0	0
9. Federal and foreign income taxes paid (recovered) net of $ .... tax on capital gains (losses)	3,801	21,963	485,945
10. Total (Lines 5 through 9)	21,124,245	18,505,398	(14,147,381)
11. Net cash from operations (Line 4 minus Line 10)	9,527,366	8,710,576	141,674,558
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	32,725,748	17,933,866	152,842,422
12.2 Stocks	213,587	980,677	873,367
12.3 Mortgage loans	0	0	0
12.4 Real estate	0	0	0
12.5 Other invested assets	197,888	614,706	2,672,864
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0	0
12.7 Miscellaneous proceeds	0	1,078,865	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	33,137,223	20,608,114	156,388,653
13. Cost of investments acquired (long-term only):			
13.1 Bonds	33,068,321	7,790,377	671,190,577
13.2 Stocks	0	0	0
13.3 Mortgage loans	0	0	0
13.4 Real estate	0	0	0
13.5 Other invested assets	184,694	0	0
13.6 Miscellaneous applications	4,336,643	0	4,940,984
13.7 Total investments acquired (Lines 13.1 to 13.6)	37,589,658	7,790,377	676,131,561
14. Net increase (or decrease) in contract loans and premium notes	0	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(4,452,435)	12,817,737	(519,742,909)
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes	0	0	0
16.2 Capital and paid in surplus, less treasury stock	0	0	0
16.3 Borrowed funds	0	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities		0	0
16.5 Dividends to stockholders	0	0	0
16.6 Other cash provided (applied)	(1,119)	638,365	615,061
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(1,119)	638,365	615,061
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	5,073,812	22,166,678	(377,453,290)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	934,767,817	1,312,221,107	1,312,221,107
19.2 End of period (Line 18 plus Line 19.1)	939,841,629	1,334,387,785	934,767,817

NOTES TO FINANCIAL STATEMENTS

(Dollars in thousands)

Organization and Background

Financial Guaranty Insurance Company, a New York stock insurance corporation ("FGIC"), is a wholly owned subsidiary of FGIC Corporation ("FGIC Corp."). As used in these notes, the term "Company" refers to FGIC. The Company provided financial guaranty insurance and other forms of credit enhancement for public finance and structured finance obligations. In addition, FGIC UK Limited ("FGIC UK Ltd."), a wholly owned United Kingdom insurance subsidiary of FGIC, was engaged in the business of writing financial guaranties in the United Kingdom and in other European Union member countries.

At March 31, 2012 and December 31, 2011, affiliates of the Blackstone Group L.P., the Cypress Group L.L.C. and CIVC Partners L.P. owned approximately 39.5%, 39.5% and 12% of FGIC Corp.'s common stock, respectively. As of March 31, 2012 and December 31, 2011, an affiliate of General Electric Capital Corp. owned 2,346 shares, or 100%, of FGIC Corp.'s senior participating mandatorily convertible modified preferred stock (the "Senior Preferred Shares"), and approximately 7.7% of FGIC Corp.'s outstanding common stock.

As of October 3, 2011, the functions and authority of (i) the New York State Insurance Department were transferred to the New York State Department of Financial Services and (ii) New York's Superintendent of Insurance were transferred to New York's Superintendent of Financial Services. References in these notes to (i) the "Department" shall refer to the New York State Insurance Department or the New York State Department of Financial Services and (ii) to the "Superintendent" shall refer to New York's Superintendent of Insurance or New York's Superintendent of Financial Services, in each case as the context shall require.

The March 31, 2012 quarterly statement should be read in conjunction with FGIC's 2011 annual statement, including the notes therein

<u>Note 1 - Summary of Significant Accounting Policies</u>

In September of 2011, the NAIC adopted Statement of Statutory Accounting Principles ("SSAP") No. 101, *Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10* ("SSAP 101"), effective for quarterly and annual periods beginning January 1, 2012. SSAP 101 increases the level of conservatism in the accounting for tax loss contingencies, eliminates the deferred tax asset eligibility test in SSAP No. 10R, and significantly alters each of the three components of the admissibility limitation. The Company adopted SSAP 101 effective January 1, 2012. There is no impact on statutory surplus in the adoption of SSAP 101.

<u>Note 2 - Accounting Changes and Correction of Errors</u>

None.

<u>Note 3 - Business Combinations and Goodwill</u>

None.

<u>Note 4 - Discontinued Operations</u>

None.

NOTES TO FINANCIAL STATEMENTS

Note 5 - Investments

The amortized cost and fair value of admitted investments in bonds, preferred stock and short-term investments are as follows:

March 31, 2012	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Obligations of states and political subdivisions	$ 551,171	$ 38,969	$ –	$ 590,140
Asset- and mortgage-backed securities	325,681	20,868	–	346,549
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	40,918	8,650	–	49,568
Debt securities issued by foreign governments	34,300	286	–	34,586
Corporate	117,110	7,562	–	124,672
Total bonds	1,069,180	76,335	–	1,145,515
Preferred stock	3,713	3,482	–	7,195
Short-term investments	935,979	-	–	935,979
Total	$ 2,008,872	$ 79,817	$ –	$ 2,088,689

December 31, 2011	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Obligations of states and political subdivisions	$ 556,348	$ 35,796	$ –	$ 592,144
Asset- and mortgage-backed securities	336,713	19,306	–	356,019
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	40,967	10,263	–	51,230
Debt securities issued by foreign governments	16,427	166	–	16,593
Corporate	119,960	5,001	–	124,961
Total bonds	1,070,415	70,532	–	1,140,947
Preferred stock	3,713	3,505	–	7,218
Short-term investments	931,289	–	–	931,289
Total	$ 2,005,417	$ 74,037	$ –	$ 2,079,454

The carrying values of the Company’s investment in the equity of subsidiaries were $0 at both March 31, 2012 and December 31, 2011. Included in the change in net unrealized gains for the three months ended March 31, 2012 and 2011 were $0 and $1,236, respectively, related to the change in carrying values of the Company’s investments in subsidiaries. Investment in the equity of subsidiaries was non-admitted due to the Company’s surplus deficit.

Prior to 2010, the Company determined that it either did not have the intent to hold certain fixed income securities until their fair value exceeded their amortized cost or that it had the intent to sell its fixed income securities or it is more likely than not that the Company will be required to sell these securities before recovery of their amortized cost basis. As a result, the Company recorded other-than-temporary impairment losses of $383 and $518 on its fixed income securities for the three months ended March 31, 2012 and 2011, respectively. These losses are included in “Net realized capital gains or losses, net of tax” in the Statements

NOTES TO FINANCIAL STATEMENTS

of Operations and represent the difference between the amortized cost basis and its fair value at the balance sheet date.

The amortized cost and fair value of the investment portfolio at March 31, 2012, by contractual maturity date, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in one year	$ 19,697	$ 19,933
Due after one through five years	139,521	145,430
Due after five years through ten years	354,428	373,165
Due after ten years	229,853	260,438
Asset- and mortgage-backed securities	325,681	346,549
Total	$ 1,069,180	$ 1,145,515

Net investment income of the Company was derived from the following sources.

	Three Months Ended March 31,	
	2012	2011
Income from bonds	**$ 9,745**	$ 7,209
Income from preferred stocks	**49**	41
Income from cash, cash equivalents and short-term investments	**1,779**	737
Total investment income	**11,573**	7,987
Investment expenses	**(474)**	(430)
Net investment income	**$ 11,099**	$ 7,557

For both the three months ended March 31, 2012 and 2011, there were no sales of investments in bonds.

Investments in bonds carried at amortized cost of $22,816 and $23,044 as of March 31, 2012 and December 31, 2011, respectively, were on deposit with various regulatory authorities, as required by law.

Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

None.

Note 7 - Investment Income

No significant changes from 2011 Notes to Financial Statements.

Note 8 - Derivative Investments

None.

Note 9 – Income Taxes

The Company files a consolidated U.S. federal income tax return with FGIC Corp. The method of allocation between FGIC Corp. and FGIC is determined under a tax sharing agreement approved by FGIC Corp.'s and FGIC's Board and the Department, and is based upon separate return calculations.

NOTES TO FINANCIAL STATEMENTS

The following is a reconciliation of current federal income taxes computed on loss before provision for federal and foreign income taxes at the statutory rate and the provision for current federal income taxes.

	Three Months Ended March 31, 2012	2011
Income tax benefits computed on loss before provision for federal and foreign income taxes, at the statutory rate	**$ (50,401)**	$ (128,045)
Tax effect of:		
Tax-exempt interest	**(1,687)**	(1,246)
Change in valuation allowance	**51,828**	129,243
Other, net	**(216)**	(399)
Benefit for federal and foreign income taxes	**$ (476)**	$ (447)

The composition of total tax benefit for the three months ended March 31, 2012 and 2011 is as follows:

	Three Months Ended March 31, 2012	2011
Current:		
Federal	**$ –**	$ (556)
Foreign	**(476)**	109
Federal and foreign income tax benefit	**$ (476)**	$ (447)

The changes in net deferred income taxes, inclusive of non-admitted assets, are comprised of the following:

	Three Months Ended March 31, 2012	2011
Increase in net deferred income tax assets	**$ –**	$ –
Increase in deferred tax liabilities	**–**	–
Change in net deferred income taxes	$ –	$ –

As of March 31, 2012, the Company had a domestic net operating loss ("NOL") carryforward of $5,386,182 for federal income tax purposes, which will be available (subject to the limitations discussed below) to offset future taxable income. If not used, the NOL will start expiring in 2027 through 2031 depending on the originating year.

FGIC's ability to utilize its NOLs will be limited if an "ownership change" under Section 382 of the Internal Revenue Code ("Section 382") were to occur. Section 382 limits the ability of a corporation that experiences an ownership change to utilize its NOLs and certain built-in losses after the ownership change. An ownership change is generally any change in ownership of more than 50 percentage points of a corporation's stock over a rolling 3-year period. Generally under Section 382, upon an ownership change, the amount of taxable income that a corporation can offset by its "pre-change losses" (which include its NOLs) is restricted to an annual amount equal to the equity value of the corporation immediately prior to the ownership change multiplied by the long-term tax-exempt rate.

Notwithstanding Section 382's restriction on a corporation's use of NOLs, Section 382 provides significant relief to a corporation if an ownership change occurs in the context of a Chapter 11 case (see Note 21). Specifically, section 382(l)(5) of the Code provides that a corporation under the jurisdiction of a court in a Chapter 11 case is not subject to the general limitations imposed by Section 382 if historic stockholders and/or the corporation's "qualified creditors" own at least 50% of the total value and voting power of the corporation's stock after the ownership change occurs (the "Section 382(l)(5) Exception"). However, the legal application of the Section 382(l)(5) Exception to a situation where the parent is in a Chapter 11 case and the subsidiary, which generated most of the NOLs, is not in a Chapter 11 case is

NOTES TO FINANCIAL STATEMENTS

somewhat ambiguous. Further, if FGIC becomes deconsolidated from FGIC Corp. prior to FGIC Corp.'s ownership change in bankruptcy, FGIC's NOLs would not be protected by the Section 382(l)(5) Exception.

FGIC anticipates that it will experience an ownership change when its parent FGIC Corp. emerges from bankruptcy. This ownership change will occur because it is expected that the existing equity in FGIC Corp. will be eliminated and creditors of FGIC Corp. will acquire the equity of reorganized FGIC Corp., thereby changing the ultimate beneficial owners of FGIC. While FGIC Corp. and FGIC expect that they will qualify for the Section 382(l)(5) Exception, this result is not certain because certain factors are beyond FGIC's control. Should FGIC experience an ownership change for purposes of Section 382 and not qualify for the Section 382(l)(5) Exception, FGIC's ability to utilize its NOLs will be subject to an annual limitation in the future, which could result in a material increase in FGIC's U.S. federal income tax liability and materially reduce cash available.

The amount of federal income taxes incurred and available for recoupment in the event of future losses is $0.

In accordance with SSAP 101, *Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10,* the Company evaluates its deferred income tax asset to determine if valuation allowances are required. SSAP 101 requires that companies assess whether valuation allowances should be established based on the consideration of all available evidence using a "more likely than not" standard. In making such judgments, significant weight is given to evidence that can be objectively verified. Management believes it is more likely than not that the amortization of the net unearned premium reserve, collection of future installment premiums on contracts already written, and income from the investment portfolio will not generate sufficient taxable income to realize the deferred tax asset that currently exists. Accordingly, a full valuation allowance was established against the Company's domestic net deferred tax asset of $2,090,248 as of March 31, 2012. The Company will continue to analyze the need for a valuation allowance on a quarterly basis.

The following table presents the total of deferred tax assets and liabilities by tax character:

	March 31, 2012	December 31, 2011
Deferred tax assets:		
Ordinary income	**$ 2,079,775**	$ 2,027,800
Capital losses	**12,274**	12,439
Gross deferred tax asset	**2,092,049**	2,040,239
Valuation allowance	**(2,090,248)**	(2,038,503)
Adjusted deferred tax asset	**1,801**	1,736
Nonadmitted adjusted deferred tax asset	**–**	–
Total admitted gross deferred tax asset	**1,801**	1,736
Deferred tax liabilities:		
Ordinary income	**(1,126)**	(1,143)
Capital gains	**(675)**	(593)
Total gross deferred tax liability	**(1,801)**	(1,736)
Net admitted deferred tax asset	**$ –**	$ –

NOTES TO FINANCIAL STATEMENTS

The tax effects of temporary differences that give rise to significant portions of the net deferred tax asset at March 31, 2012 and December 31, 2011 are presented below by tax component:

	March 31, 2012	December 31, 2011
Deferred tax assets:		
Premiums revenue recognition	**$ 7,081**	$ 7,573
Net operating loss carryforward	**1,885,163**	1,842,699
Impairment losses on investments	**11,898**	12,001
Losses-salvage and subrogation recoverable	**176,676**	166,504
Other	**11,231**	11,462
Gross deferred tax asset	**2,092,049**	2,040,239
Valuation allowance	**(2,090,248)**	(2,038,503)
Adjusted deferred tax asset	**1,801**	1,736
Nonadmitted adjusted deferred tax asset	**–**	–
Total admitted gross deferred tax asset	**1,801**	1,736
Deferred tax liabilities:		
Foreign currency	**(560)**	(478)
Discount on bonds and other	**(1,241)**	(1,258)
Total gross deferred tax liability	**(1,801)**	(1,736)
Net admitted deferred tax asset	**$ –**	$ –

During the third quarter of 2008, the IRS commenced an examination of FGIC Corp.'s consolidated U.S. federal income tax returns for the years ended December 31, 2005, 2006, 2007 and 2008. The examinations (tax years 2005 – 2008) were completed in the first quarter of 2011. Upon completion of the audit, $556 previously accrued for potential interest payments was released.

Note 10 – Parent, Subsidiaries and Affiliates

No significant changes from 2011 Notes to Financial Statements.

Note 11 - Debt

None.

Note 12 - Retirement Plans, Deferred Compensation and Other Postretirement Benefit Plans

No significant changes from 2011 Notes to Financial Statements.

Note 13 - Capital and Surplus and Shareholders' and Policyholders' Dividend Restrictions

FGIC was in a policyholders' surplus deficit position of approximately $3,742,512 and $3,567,077 at March 31, 2012 and December 31, 2011, respectively. See Note 21 for further information.

In addition, as of March 31, 2012, FGIC's aggregate net liability under its insured exposures continued to exceed the aggregate risk limit prescribed by the New York State Insurance Law (the "Insurance Law") and FGIC's insured exposure under certain individual policies continued to exceed the applicable single risk limits prescribed by the Insurance Law.

FGIC's ability to pay dividends on its common stock and on its preferred stock to the holders thereof is subject to restrictions contained in the Insurance Law. Due to FGIC's statutory earned surplus deficit at March 31, 2012, FGIC does not currently have the capacity to pay dividends on its common stock or preferred stock. See Note 21 below for additional information.

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Note 14 - Contingencies

Starting in July 2008, FGIC and various other bond insurers (and/or their affiliates) have been named as defendants in a series of individual and/or consolidated complaints filed by the following California governmental and non-profit entities: (i) County of Alameda; City and County of San Francisco; City of Los Angeles; Los Angeles Department of Water and Power; The Los Angeles World Airports; City of Oakland; City of Richmond; Redwood City; East Bay Municipal Utility District; City of Sacramento; Sacramento Suburban Water District; Sacramento Municipal Utility District; City of San Jose; City of Stockton; The Redevelopment Agency of the City of Stockton; The Public Financing Authority of the City of Stockton; County of Tulare; The Regents of the University of California; and The Redevelopment Agency of the City of San Jose (claims currently alleged in the Second Amended Consolidated Complaint filed August 23, 2011, in *County of Alameda et al. v. Ambac Financial Group, Inc., et al.* (the "Alameda Complaint")); (ii) Contra Costa County; City of Riverside; The Redevelopment Agency of the City of Riverside; The Public Financing Authority of the City of Riverside; County of San Mateo; and The Jewish Community Center of San Francisco ("JCCSF") (claims) currently alleged in the Third Amended Consolidated Complaint filed October 21, 2011, in *Contra Costa County, et al. v. Ambac Financial Group, Inc., et al.* (the "Contra Costa Complaint")) and (iii) The Olympic Club (claims currently alleged in the Fourth Amended Complaint filed October 21, 2011, in *The Olympic Club v. Ambac Financial Group, Inc., et al.* (the "Olympic Club Complaint")). Plaintiffs JCCSF, County of San Mateo, The Redevelopment Agency of San Jose, Sacramento Suburban Water District and East Bay Municipal Utility District are also plaintiffs in *The Jewish Community Center of San Francisco, et al. v. Ambac Financial Group, Inc., et al.* (the "JCCSF Complaint"), though their claims are now alleged in the Alameda or Contra Costa Complaints as well. The Contra Costa Complaint, the JCCSF Complaint and the Olympic Club Complaint name the Rating Agencies (as defined below) as defendants as well; the Alameda Complaint does not. The Contra Costa Complaint, the Alameda Complaint and the JCCSF Complaint have been deemed part of a California state court coordination proceeding titled the *"Ambac Bond Insurance Cases"* in San Francisco Superior Court. The Olympic Club Complaint is not formally part of the coordination proceeding but is functionally coordinated with the Ambac Bond Insurance Cases.

In these actions, the plaintiffs make similar allegations that FGIC and the other bond insurer defendants (i) colluded with the credit rating agencies (Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Fitch Ratings, Inc. (the "Rating Agencies")) to perpetuate a "dual rating system" used by the Rating Agencies, pursuant to which they rated the debt obligations of municipal bond issuers on a different (and allegedly less favorable) scale from the scale used to rate corporate debt obligations, in violation of the Cartwright Act (California's antitrust statute) and (ii) engaged in unfair business practices in connection with the alleged Cartwright Act violations. In addition, plaintiffs whose bonds were insured by a bond insurer defendant also allege against such bond insurer with respect to such bond issues (a) breach of contract under the California Insurance Code for failure to disclose the extent of its exposure to residential mortgage-backed securities ("RMBS") and collateralized debt obligations ("CDOs"), and (b) the fraudulent failure to disclose the extent of its exposure to RMBS and CDOs, including whether it met capital adequacy requirements set by the Rating Agencies. The four plaintiffs whose bonds were insured by FGIC have brought such claims against FGIC. In July 2011, following a hearing, the defendants' demurrers were sustained as to certain claims but they were overruled as to the claims described in clauses (i), (ii) and (a) above, and the plaintiffs were allowed to re-plead the claims described in clause (b) above. FGIC and the other bond insurer defendants filed demurrers to these re-pled claims, which were heard and overruled on October 20, 2011. On December 2, 2011, FGIC and the other bond insurer defendants filed a special motion to strike the plaintiffs' claims under California's anti-SLAPP statute. On May 1, 2012, the court granted the motion as to the plaintiffs' Cartwright Act and unfair business practices claims and denied the motion as to the plaintiffs' other claims.

In *City of Phoenix v. Ambac Financial Group, Inc., et al.* (United States District Court, District of Arizona, filed on or about March 11, 2010), FGIC, MBIA Insurance Corporation, and Ambac Assurance Corporation are named as defendants in a lawsuit in which the plaintiff asserts causes of action based principally on the defendants' alleged violations of Arizona insurance law prohibiting unfair discrimination in the rate or amount of premium charged. FGIC filed an answer to the complaint in May 2010 and discovery is proceeding.

In *Wilson v. JP Morgan Chase & Co., et al.* (Circuit Court of Jefferson County, Alabama, filed on or about June 17, 2008), FGIC and a number of other defendants were named in a purported class action case on behalf of customers that paid for sewer service within Jefferson County, Alabama, since January 1, 1993. The complaint alleges, *inter alia*, that the Jefferson County Commissioners, in a conspiracy with several

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individuals, financial companies, law firms and bond insurers, refinanced certain fixed-rate debt with a combination of variable rate and auction rate securities that were hedged by interest rate swaps. These transactions, the complaint alleges, were purportedly done to facilitate the payment of fees to several bond brokers and financial advisors that in turn were paid to certain County officials. With respect to the bond insurers, including FGIC, the most recent amended complaint alleges, *inter alia*, that the bond insurers were undercapitalized and failed to make payments to certain bondholders in the wake of the County's default on the bonds. The plaintiffs seek rescission of the bonds and a declaration "that payments pursuant to all contracts for insurance and reinsurance be honored and payment thereunder be used for the use and benefit of the rate payers to the Jefferson County sewer system." FGIC's and the other defendants' motions to dismiss the complaint for lack of standing were denied in January 2011. On December 15, 2011, based upon FGIC's filing for removal of the case, the case was transferred to the U.S. Bankruptcy Court for the Northern District of Alabama, which is hearing the Chapter 9 bankruptcy proceeding commenced by Jefferson County. On December 22, 2011, FGIC filed an answer to the complaint.

On January 13, 2010, FGIC Credit Products LLC ("Credit Products") terminated CDS transactions with respect to more than $3,500,000 in notional amount of reference obligations which were outstanding under the ISDA Master Agreement dated July 14, 2005 (the "SG Master Agreement") between Credit Products and Société Générale on account of Société Générale's failure to pay certain amounts as required by the terms of such CDS transactions. At that time Credit Products had honored all obligations that it was required to honor, and owed no amounts to Société Générale, pursuant to the terms of the transaction.

On January 20, 2010, Société Générale filed a complaint against FGIC and Credit Products in the U.S. District Court for the Southern District of New York (*Société Générale v. Financial Guaranty Insurance Co., et al.*, 10 Civ. 0472 (NRB)), alleging breach of contract and requesting a declaratory judgment finding that Credit Products' termination of such CDS transactions was ineffective. On February 4, 2010, Société Générale filed an amended complaint, adding the allegation that FGIC, as credit support provider for Credit Products, had repudiated its obligations under the related insurance policies, resulting in an "Insurer Default" under the SG Master Agreement, which would permit Société Générale to receive a settlement amount based on market values of the CDS transactions. On February 22, 2010, Société Générale filed a second amended complaint, adding allegations that FGIC is liable to Société Générale for the causes of action brought against Credit Products because FGIC is Credit Products' "alter ego," or alternatively that FGIC had tortiously interfered with the SG Master Agreement and related CDS transactions. On March 17, 2010, FGIC and Credit Products filed a motion to dismiss all of Société Générale's claims. On April 9, 2010, Société Générale filed its opposition to such motion to dismiss. On April 23, 2010, FGIC and Credit Products filed their reply to Société Générale's opposition.

On February 4, 2010, Société Générale also gave FGIC and Credit Products notice of its purported designation of an early termination date, which purportedly would require a mark-to-market termination payment from Credit Products, in respect of such CDS transactions, which Société Générale alleges were in effect at such time (but which FGIC and Credit Products claim have been terminated due to the default by Société Générale). On March 2, 2010, Société Générale gave FGIC and Credit Products notice of its early termination payment calculation, which purportedly would require a mark-to-market termination payment from Credit Products in the aggregate amount of approximately $1,477,000 with respect to such disputed CDS transactions. Credit Products has notified Société Générale that no "Insurer Default" has occurred and that Société Générale is not entitled to designate an early termination date. By Notices of Nonpayment dated March 5, 2010, Société Générale submitted to FGIC claims under the various FGIC policies in the aggregate amount of approximately $1,477,000 based on Credit Products' purported nonpayment of the disputed mark-to-market termination payments. FGIC has notified Société Générale that at no time has FGIC repudiated or disavowed its obligations under its policies, that Société Générale's purported termination of the CDS transactions on the basis of a supposed repudiation by FGIC was ineffective, that no amounts are due to Société Générale under the CDS transactions, and as a result Société Générale's claims under the FGIC policies are improper. As a result of the termination of such CDS transactions by Credit Products as described above, FGIC significantly reduced its related loss reserves as of December 31, 2010 but, as required by statutory accounting practices applicable to insurance disputes and related litigation, has not eliminated such reserves.

On July 7, 2011, Société Générale, Credit Products and FGIC entered into a Settlement and Commutation Agreement (the "Settlement Agreement") in connection with the litigation described above. The Settlement Agreement provides for, among other things, the settlement of such litigation, the termination of the subject CDS transactions and the related FGIC policies and the mutual release of FGIC, Credit Products and Société Générale from all related claims and liability in consideration of a cash commutation payment by FGIC to Société Générale, subject in each case to, among other conditions, approval by the Department or applicable judicial approval of such settlement, termination and release. If these conditions are

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not satisfied prior to May 31, 2012, Société Générale will have the option to terminate the Settlement Agreement. On July 11, 2011, based on a joint stipulation filed by the parties, the court dismissed the above litigation without prejudice to the parties' ability to re-file the action should the Settlement Agreement be terminated.

In *Museum Associates, dba Los Angeles County Museum of Art v. Financial Guaranty Insurance Co.* (United States District Court for the Central District of California, filed on or about November 4, 2008), plaintiff alleges, *inter alia,* that it incurred increased interest costs in respect of its FGIC-insured auction rate securities as a result of misrepresentations by FGIC concerning its exposure to securities backed by residential mortgages and the risk of a downgrade of FGIC's credit ratings. The case has been stayed voluntarily by the parties since early 2010, with the most recent stay extending until June 30, 2012.

In *Louisiana Stadium and Exposition District v. Financial Guaranty Insurance Co. (In re Merrill Lynch Auction Rate Securities Litigation),* No. 09 MD 2030 (LAP) (S.D.N.Y.) (originally filed in the United States District Court for the Eastern District of Louisiana and in the Civil District Court for the Parish of Orleans, Louisiana on February 22, 2009 and February 29, 2009, respectively, and then removed and transferred to the S.D.N.Y. as part of a multidistrict litigation) and now pending on appeal as *Louisiana Stadium & Exposition District v. Financial Guaranty Insurance Co.,* No. 10-2030-cv (2d Cir.), plaintiff alleges, inter alia, breach of contract, detrimental reliance and unjust enrichment concerning FGIC's failure to disclose the risks associated with its exposure to the subprime mortgage market and failure to disclose the risk of a downgrade of FGIC's ratings in connection with plaintiff's issuance of auction rate securities. In May 2010, the court granted with prejudice FGIC's motion to dismiss all causes of action. The plaintiff has appealed that decision, which appeal has been briefed and argued.

In April 2009, a monoline insurance company (the "Ceding Company") from which FGIC has assumed certain risks under a facultative reinsurance agreement demanded arbitration to resolve certain disputes relating to the reinsurance agreement. FGIC is disputing the Ceding Company's purported termination of the reinsurance agreement and demand for a $46,000 termination payment from FGIC. At the Ceding Company's request, the arbitration panel ordered FGIC to post a letter of credit in the amount of $46,000 to secure any potential award, although the arbitration panel has not made any findings on the merits of the matter. At the Ceding Company's request, the arbitration panel has extended the deadline for FGIC to post this letter of credit. The arbitration panel remains in place, but the parties have informally agreed to a stay of the proceedings.

On February 21, 2012, a reinsurer demanded arbitration pursuant to a reinsurance agreement with FGIC, alleging certain breaches by FGIC and seeking damages and equitable relief, including the rescission of certain reinsurance coverage provided by the reinsurer under the agreement.

In *Countrywide Home Loans, Inc., et al. v. Financial Guaranty Insurance Co., et al.* (N.Y. Sup. Ct., Index No. 103872/2010, filed on March 24, 2010), Countrywide Home Loans, Inc. (together with its predecessors and successors in interest, "Countrywide") and certain of its affiliates filed a petition pursuant to Article 78 of the New York Civil Practice Law and Rules, naming the Department, the Superintendent and FGIC as respondents, seeking (i) to declare null and void the 1310 Order and (ii) to order FGIC to immediately re-commence payment of claims. In *Countrywide Home Loans, Inc., et al. v. Financial Guaranty Insurance Co.* (N.Y. Sup. Ct., Index No. 600757/10, filed on March 24, 2010), Countrywide sued FGIC for breach of contract and breach of the duty of good faith and fair dealing. On July 25, 2011, FGIC, Countrywide and the Department filed with the court a stipulation removing the Article 78 proceeding from the court's calendar, with leave to make application to the court to restore the case to its calendar. No filings by FGIC or the Department will be due unless the case is restored to the calendar.

FGIC has received various regulatory inquiries and requests for information. FGIC has responded to a subpoena issued by the U.S. Department of Justice in November 2006 in connection with its investigation of bidding practices in the market for municipal GICs and derivative products. FGIC also has responded to subpoenas issued by the Attorneys General of the States of Connecticut and Florida relating to their investigations of similar matters. FGIC has executed a tolling agreement with the Attorneys General of Connecticut, Florida and 18 other states removing FGIC from these investigations.

In addition, FGIC has responded to a subpoena from the Connecticut Attorney General with respect to an investigation into municipal bond rating practices employed by the Rating Agencies. The focus of the investigation appears to be the disparity in ratings with respect to municipal credits, on the one hand, and corporate credits, on the other. The Connecticut Attorney General has sought information from FGIC with respect to communications between the credit rating agencies and the financial guaranty insurance industry

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(acting through the Association of Financial Guaranty Insurers, the industry trade association) in relation to a proposal by Moody's Investors Service, Inc. to implement a corporate equivalency rating system with respect to municipal credits. By letter dated November 3, 2011, the Connecticut Attorney General informed FGIC that it had concluded its investigation into municipal bond rating practices. FGIC has also received a document preservation letter from the Attorney General of the State of California relating to its investigation of the credit rating practices for municipal bonds issued by the State of California and its related entities.

In addition, FGIC is involved from time to time in various routine legal proceedings.

It is not possible to predict whether additional suits will be filed against FGIC, including suits as to which previously filed claims against FGIC have been dismissed, either voluntarily or by an order that has not become final and non-appealable, or whether additional inquiries or requests for information will be made, and it is also not possible to predict the outcome of litigation, inquiries or requests for information. Management is unable to make a meaningful estimate of the amount or range of loss that could result from unfavorable outcomes but, under some circumstances, adverse results in any such proceedings could have a material and adverse impact on FGIC's business, results of operations, and financial condition. The outcome of some of these legal proceedings and other contingencies could require FGIC to take or refrain from taking actions which could adversely affect its business or could require FGIC to pay substantial amounts of money. Additionally, defending against these lawsuits and proceedings may involve significant expense and diversion of management's attention and resources away from implementing loss mitigation efforts that are vital to FGIC's ability to continue as a going concern.

In addition to the lawsuits described above, FGIC has asserted, and from time to time may assert, claims in legal or arbitration proceedings against third parties to recover losses already incurred by FGIC or to mitigate future losses that FGIC may incur. The amount of losses that FGIC may recover or mitigate as a result of these proceedings is uncertain, although, in the event of favorable outcomes or settlements, such amount could be material to FGIC's results of operations, financial position, profitability or cash flows.

In *Financial Guaranty Insurance Co. v. Countrywide Home Loans, Inc.* (N.Y. Sup.Ct., Index No. 650736/2009, filed on December 11, 2009) (the "Countrywide Litigation"), FGIC sued Countrywide, alleging fraud and negligent misrepresentation by Countrywide and its affiliates in the origination of several RMBS transactions that closed in 2006 and 2007, and breach of contract in connection with Countrywide's failure to repurchase certain mortgage loans as provided by the operational agreements for those RMBS transactions, as well as a number of other RMBS transactions that closed in the period from 2004 to 2005. On April 30, 2010, FGIC filed an amended complaint adding Countrywide Financial Corp., Countrywide Securities Corporation, Countrywide Bank, FSB, and Bank of America Corporation ("BAC") as defendants. FGIC's complaint in the Countrywide Litigation alleges damages to FGIC in excess of $1,000,000.

In February 2010, Countrywide filed a motion to dismiss certain of FGIC's claims in its initial complaint. On June 15, 2010, Countrywide's motion to dismiss was generally denied by the court, but granted with respect to FGIC's claims based on negligent misrepresentation and the breach of the covenant of good faith. The court's ruling on Countrywide's motion to dismiss has become final since, on October 20, 2011, FGIC and Countrywide jointly filed a stipulation withdrawing their respective appeals of the court's ruling on Countrywide's motion to dismiss.

On June 3, 2011, BAC filed a motion for the severance of FGIC's successor liability claim against BAC from FGIC's other claims in this case, and the consolidation of the successor liability claim with similar claims that currently form parts of three other cases brought by bond insurance companies against Countrywide and BAC. On October 31, 2011, the court denied BAC's motion insofar as it applied to discovery, but held in abeyance the motion insofar as it applies to trial of the successor liability claim, until final submission of summary judgment motions on the successor liability claim in FGIC's or any of the other bond insurance companies' cases. BAC has filed an appeal of the court's decision on BAC's motion to the Appellate Division of the N.Y. Supreme Court, which appeal has been briefed.

In November and December 2011, FGIC initiated the following seven actions: (1) *Financial Guaranty Insurance Company v. GMAC Mortgage, LLC (f/k/a GMAC Mortgage Corporation); Ally Bank (f/k/a GMAC Bank); Residential Capital, LLC (f/k/a Residential Capital Corporation)* (S.D.N.Y. Case No. 11-cv-9729) (relating to GMACM Series 2006-HE1), which was amended on March 30, 2012, to include allegations against Ally Financial, Inc. (f/k/a GMAC, LLC); (2) *Financial Guaranty Insurance Company v. Residential Funding Company, LLC (f/k/a Residential Funding Corporation); Residential Capital, LLC (f/k/a Residential Capital Corporation)* (S.D.N.Y. Case No. 11-cv-9737) (relating to RAMP Series 2005-RS9); and (3) *Financial Guaranty Insurance Company v. Residential Funding Company, LLC (f/k/a Residential Funding Corporation); Residential Capital, LLC (f/k/a Residential Capital Corporation)* (S.D.N.Y. Case No. 11-cv-9736) (relating to RFMSII Series 2005-HS1 and RFMSII Series 2005-HS2); (4) *Financial*

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Guaranty Insurance Company v. Ally Financial, Inc. (f/k/a GMAC LLC), Residential Capital, LLC (f/k/a Residential Capital Corporation) and Residential Funding Company, LLC (f/k/a Residential Funding Corporation) (S.D.N.Y. Case No. 12-cv-0341) (relating to RASC Series 2005-EMX5); (5) *Financial Guaranty Insurance Company v. Ally Financial, Inc. (f/k/a GMAC LLC); Residential Capital, LLC (f/k/a Residential Capital Corporation) and Residential Funding Company, LLC (f/k/a Residential Funding Corporation)* (S.D.N.Y. Case No. 12-cv-0338) (relating to RAMP Series 2005-EFC7); (6) *Financial Guaranty Insurance Company v. Ally Financial, Inc. (f/k/a GMAC LLC); Residential Capital, LLC (f/k/a Residential Capital Corporation) and Residential Funding Company, LLC (f/k/a Residential Funding Corporation)* (S.D.N.Y. Case No. 12-cv-0339) (relating to RAMP Series 2005-NC1); and (7) *Financial Guaranty Insurance Company v. Ally Financial, Inc. (f/k/a GMAC LLC); Residential Capital, LLC (f/k/a Residential Capital Corporation) and Residential Funding Company, LLC (f/k/a Residential Funding Corporation)* (S.D.N.Y. Case No. 12-cv-0340) (relating to RFMSII Series 2005-HSA1, RFMSII Series 2006-HSA1 and RFMSII Series 2006-HSA2). These actions were initiated by FGIC in New York state court, but have been removed to the U.S. District Court for the Southern District of New York.

In January and March 2012, FGIC initiated the following five actions: (1) *Financial Guaranty Insurance Company v. Ally Financial, Inc. (f/k/a GMAC LLC); Residential Capital, LLC (f/k/a Residential Capital Corporation)*; *Ally Bank (f/k/a GMAC Bank); and GMAC Mortgage, LLC (f/k/a GMAC Mortgage Corporation)* (S.D.N.Y., Case No. 12-cv-0780) (relating to GMACM Series 2005-HE1); (2) *Financial Guaranty Insurance Company v. Ally Financial, Inc. (f/k/a GMAC LLC), Residential Capital, LLC and Residential Funding Company, LLC* (S.D.N.Y. Case No. 12-cv-1601) (relating to RASC Series 2007-EMX1); (3) *Financial Guaranty Insurance Company v. Ally Financial, Inc. (f/k/a GMAC LLC); Residential Capital, LLC (f/k/a Residential Capital Corporation)*; *Ally Bank (f/k/a GMAC Bank); and GMAC Mortgage, LLC (f/k/a GMAC Mortgage Corporation)* (S.D.N.Y., Case No. 12-cv-1658) (relating to GMACM Series 2006-HE3); (4) *Financial Guaranty Insurance Company v. Ally Financial, Inc. (f/k/a GMAC LLC); Residential Capital, LLC (f/k/a Residential Capital Corporation)*; *Ally Bank (f/k/a GMAC Bank); and GMAC Mortgage, LLC (f/k/a GMAC Mortgage Corporation)* (S.D.N.Y., Case No. 12-cv-1818) (relating to GMACM Series 2006-HE2 and GMACM Series 2007-HE2); and (5) *Financial Guaranty Insurance Company v. Ally Financial, Inc. (f/k/a GMAC LLC), Residential Capital, LLC (f/k/a Residential Capital Corporation) and Residential Funding Company, LLC (f/k/a Residential Funding Corporation)* (S.D.N.Y. Case No. 12-cv-1860) (relating to RFMSII Series 2006-HI2, RFMSII Series 2006-HI3, RFMSII Series 2006-HI4, RFMSII Series 2006-HI5 and RFMSII Series 2007-HI1) (together with the aforementioned actions initiated against Ally Financial, Inc. or its affiliates, the “Ally Financial Actions”).

In the Ally Financial Actions, FGIC variously alleges against the above entities, with respect to certain RMBS transactions (noted parenthetically in the case descriptions above), *inter alia*: (i) fraudulent inducement of the subject transactions, (ii) breaches of representations, warranties and affirmative covenants, (iii) breaches of the obligation to repurchase certain mortgage loans, (iv) breaches of the obligation to provide information to, and allow inspection of records by, FGIC, (v) improper transfer of additional mortgage collateral, and (vi) improper amendment of operative agreements.

Note 15 - Leases

No significant changes from 2011 Notes to Financial Statements.

Note 16 - Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk

None.

Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

None.

Note 18 - Gains or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

None.

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Note 19 - Direct Premiums Written by Managing General Agents/Third Party Administrators

None.

Note 20 – Fair Value Measurement

No significant changes from 2011 Notes to Financial Statements.

Note 21 - Other Items

Recent Developments

Since the fourth quarter of 2007, the Company has incurred significant losses on its policies relating to certain RMBS and to certain collateralized debt obligations of asset-backed securities ("ABS CDOs") backed primarily by subprime RMBS. These losses are, to a high degree, attributable to deficiencies in the mortgage loans underlying such RMBS (including the RMBS held by ABS CDOs), including fraudulent mortgage loan originations, and the concealment of such deficiencies by RMBS sponsors, which have come to light since the time these transactions were insured by the Company. These losses have resulted in a substantial reduction of FGIC's statutory policyholders' surplus over time. As a result, FGIC is in a policyholders' surplus deficit position of approximately $3,742,513 as of March 31, 2012. Under the Insurance Law, FGIC, as a financial guaranty insurance company also licensed to transact credit insurance and surety, must maintain policyholders' surplus of at least $66,400. Given such policyholders' surplus deficit, (i) New York's Superintendent of Financial Services could seek court appointment as rehabilitator or liquidator of FGIC at any time or (ii) in the exercise of its fiduciary duties, the FGIC Board of Directors (the "FGIC Board") may request the Superintendent to seek, and in such event it is likely that the Superintendent would seek, such court appointment.

Due to the adverse developments described above, FGIC and FGIC UK Ltd. voluntarily ceased writing financial guaranty policies concerning new or additional risks in January 2008. On July 1, 2009, FGIC UK Ltd. filed a voluntary variation of permission with the U.K. Financial Services Authority ("UK FSA"), its principal regulator, to remove its ability to write new insurance contracts. This filing was approved on July 10, 2009. Neither FGIC nor FGIC UK Ltd. currently has any plans to recommence writing new financial guaranty business. The Company's financial strength and credit ratings were downgraded during 2008 and 2009 and subsequently withdrawn by Moody's Investor Services Inc. (March 2009), Standard & Poor's Rating Services (April 2009) and Fitch Ratings Inc. (November 2008).

On November 24, 2009, the Department issued an order pursuant to Section 1310 of the Insurance Law requiring FGIC, effective that day, to suspend paying any and all claims and prohibiting FGIC from writing any new policies. Accordingly, FGIC immediately suspended all claims payments. FGIC had previously ceased writing any new policies in January 2008. Such Department order (as modified by the Supplemental Order Pursuant to Insurance Law §1310 dated March 25, 2010) is referred to herein as the "1310 Order". The 1310 Order also directed FGIC to submit a plan to the Superintendent to eliminate the impairment of FGIC's policyholders' surplus by January 5, 2010. The 1310 Order requires FGIC to take such steps as may be necessary to remove the impairment of its capital and to return to compliance with its minimum policyholders surplus' requirement by no later than June 15, 2010, or such subsequent date as the Superintendent deems appropriate. FGIC may only operate in the ordinary course of business and as necessary to effectuate its plan to eliminate FGIC's policyholders' surplus deficit. The 1310 Order does not limit in any way the Superintendent's ability to seek rehabilitation or liquidation of FGIC at any time.

FGIC formulated a comprehensive restructuring plan to fulfill the requirements set forth in the 1310 Order and with a view to remediate its RMBS, ABS CDO and other exposures, mitigate FGIC's potential existing exposure for claims based on mark-to-market termination payments with respect to certain credit default swap ("CDS") transactions insured by FGIC or FGIC UK Ltd., remove its capital impairment and return FGIC to compliance with the applicable minimum policyholders' surplus requirement. FGIC submitted an initial surplus restoration plan to the Department on December 22, 2009 and subsequently submitted an amended and restated surplus restoration plan (as so amended and restated, the "Surplus Restoration Plan" or the "Plan"). The Department acknowledged that FGIC would continue its efforts to effectuate the amended and restated Surplus Restoration Plan and the transactions contemplated therein or attendant thereto on March 25, 2010.

The Surplus Restoration Plan included the following three key loss mitigation components: (i) remediating a substantial portion of FGIC's exposure to RMBS and asset-backed securities ("ABS") insured by FGIC in the primary market and for which it has established statutory loss reserves, including by the

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consensual "stripping" of FGIC insurance on all or a substantial portion of such RMBS and ABS through the offer to exchange launched by Sharps SP I LLC ("Sharps") on March 25, 2010 (as amended, amended and restated, modified, supplemented or extended from time to time, the "Offer") or through various other consensual remediation transactions; (ii) commuting, terminating, restructuring or reinsuring a substantial portion of FGIC's remaining exposure to ABS CDOs and to certain other obligations for which it has established statutory loss reserves, including RMBS insured by FGIC in the secondary market, through consensual transactions; and (iii) mitigating FGIC's existing exposure for claims based on mark-to-market termination payments under CDS insured by FGIC or FGIC UK Ltd., pursuant to consensual transactions with the counterparties to such CDS, including pursuant to the transactions that had been contemplated by certain agreements with the counterparties to certain of such CDS and related transactions.

FGIC reached definitive agreements or agreements in principle with certain CDS counterparties or other policy beneficiaries to effectuate the loss mitigation transactions described in clauses (ii) and (iii) of the preceding paragraph (the "Other Restructuring Transactions"). However, the Other Restructuring Transactions were conditioned upon, among other things, the successful closing of the Offer.

On October 25, 2010, Sharps announced that it did not receive sufficient participation from eligible holders in the Offer to satisfy the conditions necessary to complete the Offer. The Offer was not extended beyond the October 22, 2010 expiration date. Consequently, the Offer terminated in accordance with its terms, and none of the eligible FGIC-insured securities tendered under the Offer were accepted. As a result, the conditions for successfully effectuating the Surplus Restoration Plan have not been satisfied. Furthermore, since the Offer did not successfully close, the agreements relating to the Other Restructuring Transactions either terminated in accordance with their terms or have conditions to closing that can not be satisfied.

Since September 2010, as a consequence of the inability to gain the necessary level of participation in the Offer, FGIC has been engaged in discussions with the Department and starting in November 2010, the steering committee for an advisory group of policyholders regarding potential alternative surplus restoration plans to restore FGIC's statutory surplus and to restructure FGIC in a manner that is fair and equitable to its policyholders and other creditors.

Recent alternative surplus restoration plan discussions have focused on, among other things, restoring FGIC to statutory solvency through a rehabilitation proceeding under Article 74 of the Insurance Law, and FGIC has also been engaged in discussions with counsel for the New York Liquidation Bureau and the financial advisor retained by such counsel regarding such a potential plan since May 2011 and September 2011, respectively (such plan and any other alternative plan that may be developed are referred to collectively as the "Alternative Surplus Restoration Plan"). FGIC has also been engaged in discussions with CDS counterparties to negotiate new or amended agreements regarding certain Other Restructuring Transactions, which would be included in, and would be completed as part of and subject to the successful effectuation of, the Alternative Surplus Restoration Plan. The Alternative Surplus Restoration Plan, if successfully effectuated, would be expected to restore FGIC to statutory solvency and to provide for (i) FGIC's policy obligations to be modified in a manner that is fair and equitable to its policyholders, (ii) the moratorium on the payment of claims pursuant to the 1310 Order to be lifted and (iii) FGIC to execute a run-off of its business in which it will be obligated to pay its policy and other obligations as modified by, and strictly in the manner and priority provided for under, the Alternative Surplus Restoration Plan. See Note 21, Description of Continuing Risks and Uncertainties and Assessment of the Company's Ability to Continue as a Going Concern, for a description of the risks and uncertainties relating to the Alternative Surplus Restoration Plan.

On August 3, 2010, FGIC Corp. filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code (the "Chapter 11 Case"). The Chapter 11 Case was assigned to the Honorable Stuart M. Bernstein, United States Bankruptcy Judge for the Southern District of New York ("Bankruptcy Court"). On September 7, 2010, an official committee of unsecured creditors was appointed. None of the subsidiaries or affiliates of FGIC Corp., including FGIC, are subject to the Chapter 11 Case.

On February 3, 2012, FGIC entered into a Plan Sponsor Agreement with FGIC Corp. (the "Plan Sponsor Agreement") pursuant to which FGIC has agreed to act as the sponsor of the proposed Plan of Reorganization for FGIC Corp. contemplated by the Plan Sponsor Agreement (the "Reorganization Plan") and make a cash contribution to FGIC Corp. in the amount of $11,000 on the terms and subject to the conditions set forth in the Plan Sponsor Agreement, including the condition that the tax allocation agreement that existed between FGIC and FGIC Corp. prior to the commencement of the Chapter 11 Case shall have been amended and restated (upon approval by the Bankruptcy Court in a final order) as provided in the Plan Sponsor Agreement. The Department authorized FGIC to enter into the Plan Sponsor Agreement. The

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Bankruptcy Court entered an order confirming the Reorganization Plan on April 23, 2012. The commitments and obligations of FGIC, as Plan Sponsor under the Plan Sponsor Agreement, remain subject to the satisfaction of conditions precedent set forth in the Plan Sponsor Agreement. See Note 21, Description of Continuing Risks and Uncertainties and Assessment of the Company's Ability to Continue as a Going Concern, for a description of the risks and uncertainties for FGIC relating to the Chapter 11 Case.

On June 30, 2011, FGIC and FGIC UK Ltd. entered into a Deed of Termination pursuant to which they mutually agreed to terminate the Reinsurance Agreement dated March 31, 2004 and the Excess of Loss Reinsurance Agreement dated March 31, 2004 under which FGIC had provided reinsurance on financial guarantees or policies written by FGIC UK Ltd., and to release each other from all present and future claims and liabilities under or in connection with such agreements. Pursuant to the Deed of Termination, FGIC was relieved of its reinsurance obligations in respect of approximately $8,000,000 of par exposure and was permitted to retain 100% of all premiums (net of ceding commissions) previously paid to FGIC.

Description of Continuing Risks and Uncertainties and Assessment of the Company's Ability to Continue as a Going Concern

As of March 31, 2012, FGIC continues to report a deficit in policyholders' surplus and to be out of compliance with the $66,400 minimum policyholders' surplus requirement under the Insurance Law (and in the absence of a successful effectuation of the Alternative Surplus Restoration Plan, FGIC will continue to report such a deficit and non-compliance). As a result, (i) the Superintendent could seek court appointment as rehabilitator or liquidator of FGIC at any time or (ii) in the exercise of its fiduciary duties, the FGIC Board may request the Superintendent to seek, and in such event it is likely that the Superintendent would seek, such court appointment. There can be no assurance that, in connection with any such appointment, the Superintendent would seek to effectuate the Alternative Surplus Restoration Plan. Any such appointment of the Superintendent as rehabilitator or liquidator of FGIC could have a material adverse impact on FGIC's business, results of operations and financial condition.

There can be no assurance that (i) an agreement will be reached on the terms of the Alternative Surplus Restoration Plan or the transactions that are intended to form part of the Alternative Surplus Restoration Plan, (ii) the Alternative Surplus Restoration Plan and the transactions contemplated thereby will receive all required regulatory and judicial approvals, or (iii) the transactions contemplated by the Alternative Surplus Restoration Plan will be consummated or the Alternative Surplus Restoration Plan will otherwise be successfully effectuated. Even if the Alternative Surplus Restoration Plan were to be successfully effectuated, there can be no assurances provided regarding the Company's future financial condition or possible intervention by the Department. As a result of uncertainties associated with the aforementioned factors and continuing risks such as those described below, management has concluded that there is substantial doubt about the ability of the Company to continue as a going concern. The Company's financial statements as of March 31, 2012 and December 31, 2011 and for the three months ended March 31, 2012 and 2011 are prepared assuming the Company continues as a going concern and do not include any adjustment that might result from its inability to continue as a going concern.

In addition, the Company continues to be materially exposed to certain other significant risks and uncertainties that could materially adversely affect its results of operations, financial condition and liquidity, including the following:

The Company continues to be exposed to material risk of loss relating to deficiencies in the mortgage loans underlying certain RMBS insured by the Company (including the RMBS held by ABS CDOs), including fraudulent mortgage loan originations, and the concealment of such deficiencies by RMBS sponsors, which has come to light since the time these transactions were insured by the Company. These credits continue to perform poorly. The Company continues to be materially exposed to risks associated with any continuing or further deterioration in the U.S. residential housing and mortgage markets and the global credit markets, which have led to erosion in the quality of assets and in the collection of cash flows from assets within structured securities that the Company has guaranteed and may worsen, spread to, or negatively impact other sectors of the economy to which the Company has material exposure, including collateralized loan obligations ("CLOs"). In addition to exposure to general economic factors, FGIC is exposed to the specific risks faced by the particular state or local government issuers, businesses, or pools of assets covered by its financial guaranty policies. Over the past few years, many state and local governments whose bonds or other obligations have been insured by the Company, including Jefferson County, Alabama, which filed for Chapter 9 bankruptcy in November 2011 and whose sewer system warrants represent the Company's largest public finance exposure, have been facing financial difficulties and large budget shortfalls. If these public sector issuers are unable or unwilling to raise taxes or rates, cut spending, or obtain federal or other government assistance, they may be unable to pay their debts and the Company may incur material losses on its related policies. In addition, catastrophic events or terrorist acts could adversely affect the

NOTES TO FINANCIAL STATEMENTS

ability of public sector issuers to meet their obligations with respect to securities insured by the Company and the Company may incur material losses due to these exposures if the economic stress caused by these events is more severe than it currently foresees. Establishment of case basis reserves for unpaid losses and loss adjustment expenses on the Company's remaining insured portfolio, including the remaining CDS contracts insured by the Company, requires the use and exercise of significant judgment by management, including estimates regarding the likelihood of occurrence and amount and timing of a loss on a guaranteed obligation and any related expected recoveries. However, there remains a considerable amount of uncertainty relating to the matters discussed above, including risks in home prices, credit markets, interest rates and the economy as a whole. Small changes in assumptions underlying these estimates could result in significant changes in FGIC's loss expectations. Actual experience may differ from estimates and such difference may be material, due to the fact that the ultimate dispositions of claims are subject to the outcome of events that have not yet occurred and, in certain cases, are expected to occur over many years in the future. Examples of these events include changes in the level of interest rates, home prices and consumer costs, unemployment rates and general economic conditions, government programs, credit deterioration of guaranteed obligations, and changes in the value of specific assets supporting guaranteed obligations. Both qualitative and quantitative factors are used in making such estimates. Any estimate of future losses and claims is subject to the inherent limitation on management's ability to predict the accurate course of future events. It should therefore be expected that the actual emergence of losses and claims will vary, perhaps materially, from any estimate. See Note 25 for further information.

The remaining FGIC-insured CDS contracts have provisions that may give the related counterparties the right to terminate such CDS contracts and to require mark-to-market termination payments under the CDS, which payments are guaranteed by FGIC, following the occurrence of certain events of default thereunder, including any payment default by FGIC under the policy guaranteeing the CDS and certain events that are outside FGIC's control. Specifically, such rights may arise under certain of such CDS contracts if FGIC is insolvent within the meaning of the CDS contracts and under most of such CDS contracts if FGIC should be placed into rehabilitation or liquidation by the Superintendent. Such rights may also arise under certain of such CDS contracts upon the occurrence of a cross default event of default within the meaning of such CDS contracts. Such termination payments are generally calculated either based on "market quotation" or "loss" (each as defined in the Master Agreement published by the International Swaps and Derivatives Association, Inc.). The remaining CDS contracts insured by FGIC UK have similar provisions that may give rise to such rights following the occurrence of certain events of default thereunder as and to the extent applicable in respect of FGIC UK, FGIC or Credit Products.

If FGIC were able to consummate the Other Restructuring Transactions as part of a successful effectuation of the Alternative Surplus Restoration Plan, this would mitigate existing exposure FGIC or FGIC UK Ltd. may have to pay claims based on mark-to-market termination payments with respect to the subject CDS contracts as a result of events that have occurred or may occur prior to such consummation, including, without limitation, events relating to the 1310 Order or, if applicable, a FGIC rehabilitation or liquidation proceeding. If such Other Restructuring Transactions are not consummated, the aggregate amount of claims based on termination payments that may be asserted against FGIC would significantly exceed its available claims paying resources and liquidity funds and, accordingly, would result in an increase in FGIC's policyholders' surplus deficit and have a material adverse effect on FGIC's financial position, results of operations and solvency.

There can be no assurance if or when claim payments by FGIC will recommence or whether due and unpaid amounts under FGIC's policies will ever be paid in full. Any continued suspension of FGIC's ability to make claim payments or other delay in its recommencement of claim payments or payment in full in cash of due and unpaid amounts under its policies (as well as, among other things, any appointment of the Superintendent as rehabilitator or liquidator of FGIC) could have a number of material adverse consequences for FGIC, including, but not limited to, (i) litigation for breach of contract and various other causes of action, (ii) the loss of access and control rights under certain FGIC-insured transactions that FGIC has used to obtain additional information concerning its insured exposures and to direct or otherwise control remediation activities, (iii) subordination or withholding of certain premium and/or reimbursement payments, and (iv) the assertion of claims for mark-to-market termination payments by counterparties to FGIC or FGIC UK Ltd.-insured CDS contracts, as described above. There can be no assurance there would not be other material adverse consequences for FGIC if FGIC is unable to recommence claims payments or if there is other delay in its recommencement of claims payments or payment in full in cash of due and unpaid amounts under its policies. FGIC has received notices from trustees on the underlying trusts in certain transactions asserting that FGIC is in default with respect to its obligations relating to such transactions as a result of the suspension of claims payments and reserving the applicable trustee's rights in connection with such default and, in some

NOTES TO FINANCIAL STATEMENTS

cases, asserting that such trustee is withholding certain amounts otherwise payable to FGIC or that FGIC no longer has control rights in relation to the underlying trusts.

FGIC's ability to pay dividends on its common stock and on its preferred stock to the holders thereof is subject to restrictions contained in the Insurance Law. Due to FGIC's statutory earned surplus deficit at March 31, 2012, FGIC is prohibited by the Insurance Law from paying dividends on its common stock or preferred stock. Even if the Alternative Surplus Restoration Plan were to be successfully effectuated, FGIC would not be permitted to pay dividends or other distributions on its common stock or preferred stock.

As a result of not paying dividends, the holders of FGIC's preferred stock could become entitled to add two additional directors to FGIC's Board. This event could create instability and general uncertainty regarding FGIC as a whole, with resulting management and policy changes, and increased scrutiny by the Department and FGIC's stakeholders, which could lead the Superintendent to commence rehabilitation or liquidation proceedings. This event also could cause FGIC to become deconsolidated from FGIC Corp. for federal tax purposes. If FGIC becomes deconsolidated from FGIC Corp. prior to FGIC Corp.'s anticipated ownership change in bankruptcy, FGIC's NOLs (as defined in Note 9) would not be protected by the 382(l)(5) exception and would be severely limited following such ownership change. See Note 9 for further information regarding FGIC's NOL limitations if FGIC or FGIC Corp. experiences an ownership change.

The effects of FGIC Corp.'s Chapter 11 Case are uncertain, but may include, among other consequences, a change of control of FGIC, changes in the composition of the Board of Directors of FGIC Corp. and the FGIC Board, and management and policy changes at FGIC Corp. and FGIC. Any attempt by creditors of FGIC Corp. or others involved in the Chapter 11 Case to enforce a claim or judgment against FGIC or to interfere in FGIC's operations could result in the Superintendent seeking to commence rehabilitation or liquidation proceedings against FGIC. Any change of control at FGIC Corp. and correspondingly, FGIC, could create instability and general uncertainty regarding FGIC as a whole, with resulting management and policy changes, including FGIC's use of its NOLs, and increased scrutiny by the Department and FGIC's stakeholders, which could lead the Superintendent to commence rehabilitation or liquidation proceedings. Further, under the Insurance Law, any change of control of FGIC requires the Superintendent's prior approval. FGIC entered into the Plan Sponsor Agreement with FGIC Corp. with the intention of mitigating the risks and uncertainties associated with the Chapter 11 Case. See Note 21, Recent Developments, for further information on the Plan Sponsor Agreement.

FGIC has been named as a defendant in various lawsuits, and is subject to various governmental inquiries. FGIC also faces the risk of litigation due to the suspension of claims payments. It is not possible to predict whether additional suits will be filed or whether additional inquiries or requests for information will be made, and it is also not possible to predict the outcome of litigation, inquiries or requests for information. Management is unable to make a meaningful estimate of the amount or range of loss that could result from unfavorable outcomes but, under some circumstances, adverse results in any such proceedings could have a material and adverse impact on FGIC's business, results of operations, and financial condition. The outcome of some of these legal proceedings and other contingencies could require FGIC to take or refrain from taking actions which could adversely affect its business or could require FGIC to pay substantial amounts of money. Additionally, defending against these lawsuits and proceedings may involve significant expense and diversion of management's attention and resources away from implementing loss mitigation efforts that are vital to FGIC's ability to continue as a going concern. See Note 14 for further information.

Business Restructuring

In connection with a workforce reduction in 2008, the Company ceased using approximately 50% of its leased office space in 2008. Further, in 2009, the Company ceased using an additional 25% of its leased office space and in February 2010 subleased approximately two-thirds of the unused office space. Accordingly, beginning in 2008, the Company recorded a liability for the unused leased office space, representing the Company's obligation for the remaining lease term reduced by estimated sublease rentals. The liability is adjusted in each period to reflect revisions to estimated net cash flows. The liability is recorded as a component of "Accounts payable and accrued expenses" on the Balance Sheets and the corresponding expense is recorded in "Other underwriting expenses incurred" in the Statements of Operations. The Company also recorded a write-off, included in "Other underwriting expenses incurred" in the Statements of Operations, of leasehold improvements in 2008 related to the vacated office space. Charges, included as a component of "Other underwriting expenses incurred" in the Statements of Operations, related to vacated office space for the three months ended March 31, 2012 was $424.

NOTES TO FINANCIAL STATEMENTS

Note 22 - Events Subsequent

None.

Note 23 - Reinsurance

No significant changes from 2011 Notes to Financial Statements.

Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination

None.

Note 25 - Change in Incurred Losses and Loss Adjustment Expenses

Activity in the reserve for losses and loss adjustment expenses (LAE) is summarized as follows:

	March 31, 2012	**December 31, 2011**
Net balance at beginning of period	**$ 4,992,866**	$ 3,541,557
Incurred related to:		
Current year	**688**	122,599
Prior years	**168,631**	1,258,983
Total incurred	**169,319**	1,381,582
Paid related to:		
Current year	**–**	–
Prior years	**(4,681)**	69,727
Total paid	**(4,681)**	69,727
Net balance at end of period	**$ 5,157,504**	$ 4,992,866

Reserves for incurred losses and LAE attributable to the insured bond portfolio have increased to $5,157,504 at March 31, 2012 from $4,992,866 at December 31, 2011. The net loss and loss adjustment expense activity was mainly attributable to incurred losses for financial guaranty obligations covering RMBS. Reserves at March 31, 2012 relate predominantly to RMBS transactions net of anticipated recoveries.

As of March 31, 2012, the Company has received, but as a result of the 1310 Order, has not paid $1,999,702 in claims which is included in “Losses” on the Balance Sheet.

The Company recorded an incurred loss, net of reinsurance, of $495 and $3,072 on its guarantees of sewer revenue warrants issued by Jefferson County, Alabama (“Jefferson County guarantees”) for the three months ended March 31, 2012 and 2011 respectively. At March 31, 2012 and December 31, 2011, the loss reserve, net of reinsurance, was $88,232 and $88,290, respectively. The estimated incurred losses were necessarily based upon estimates and subjective judgments about the outcomes of future events, including the County’s Chapter 9 bankruptcy filing on November 9, 2011. The incurred losses will be adjusted as additional information becomes available and differences between estimated and actual results may be material. At March 31, 2012, the net principal outstanding on the Jefferson County guarantees was $1,167,829.

FGIC’s liability in RMBS, ABS and other securitization transactions is governed by the structure of the waterfall of cash flows in the transaction documents. In certain cases, these transaction documents are subject to interpretation. Loss reserves have been established based on the impact that the performance of the underlying collateral has on FGIC’s duty to support the cash flows of the transaction. If the Company identifies credit impairment, a provision for loss and loss adjustment expense is recorded. At each reporting date, loss reserves are evaluated and may be adjusted to reflect the impact of any loss mitigation efforts, including the purchase of, or the effective removal of insurance coverage on, FGIC insured securities by FGIC, that have yielded results that are probable and estimable. The Company believes that the reserve for estimated losses as of March 31, 2012 is adequate to cover expected future net claims. However, the establishment of the appropriate level of reserves is an inherently uncertain process involving numerous estimates and subjective judgments by management.

Small changes in the assumptions underlying these estimates could result in significant changes in the Company’s loss expectations. At present, there remains a considerable amount of uncertainty relating to risks in real estate prices, credit markets and the economy as a whole, and there is no historical precedent for the

NOTES TO FINANCIAL STATEMENTS

current conditions. There can be no assurance that the Company's estimates of probable and estimable losses are accurate. Accordingly, there can be no assurance that actual claims paid by the Company will not exceed or be less than its reserves at March 31, 2012, and it is possible that they could significantly exceed those reserves. Additionally, further deterioration in the performance of RMBS, ABS CDOs and other obligations the Company insures could lead to the establishment of additional loss reserves and
further loss or reduction to income. The Company's loss and loss adjustment expense reserve reflect the impact of settlements reached prior to the issuance date of the financial statements; however it does not reflect the potential impact, if any, of additional ongoing commutation, settlement and restructuring efforts by the Company. There can be no assurance that any loss mitigation efforts will be successful, and it is not possible to predict the magnitude of any benefit that might be derived from any such efforts that are successful.

The Company evaluates the portfolio of insured financial obligations on a regular basis to determine if there has been credit deterioration. The Company evaluates such factors as rating agency downgrades, significant changes in a specific industry or specific events impacting a particular credit, such as a negative credit event, performance below expectations, breaches of representations, warrants, covenants or deal triggers, changes of management, regulatory changes, material litigation or other legal issues. Based on the evaluation of these criteria the Company assigns credits to risk ratings categories, which then determines the level of on-going monitoring and surveillance efforts required, and whether loss reserves are recognized.

The Company uses the following risk categories to define and monitor insured financial obligations:

Risk Category 1 – Performing Credits

Transactions are performing with no expectation of loss. Financial strength of the transaction would enable it to withstand volatility in performance without risk of non-payment on timely debt service. Transactions are considered to be investment grade by the Company. Although rating changes may occur, it is not expected that a downgrade would be to below investment grade.

Risk Category 2 – Watchlist Credits under heightened surveillance

Credits in this category typically would be considered marginal investment grade or higher rated "non-investment grade". Credits in this risk category have been determined to require heightened surveillance, taking into account the totality of circumstances surrounding the particular credit, but have not deteriorated to the level that they would be considered impaired and require a loss reserve.

Risk Category 3 – Watchlist Credits experiencing credit deterioration

Credit deterioration has occurred and there is substantial uncertainty as to the credit's ability or willingness to pay its debt service obligations in a timely manner. Credits in this category typically would have suffered sustained negative trends or would have been the subject of a significant adverse event, but are currently not in payment default. Credits in this category have been determined to be impaired, and there is an increased probability of default.

Risk Category 4 – Watchlist Credits currently or likely to be in payment default

Credits that have deteriorated to the point where payment default on their debt service obligations has occurred or is probable and the ultimate loss can be reasonably estimated. Reserves are established on a case basis and are inclusive of any anticipated recoveries. Insured credits in this category would be consistent with the lowest or in-default credit ratings. Credits in risk category 4 are reviewed and updated on at least a quarterly basis for any change in status.

NOTES TO FINANCIAL STATEMENTS

The following table is a breakdown, as of March 31, 2012, of the Company's portfolio of insured financial obligations in risk category 4.

	Risk Category 4
Number of policies	160
Remaining weighted-average contract period (in years)	25
Insured contractual payments outstanding:	
Principal	$ 16,062,688
Interest	3,131,398
Total	$ 19,194,086
Gross loss reserves	$ 8,547,905
Less:	
Gross projected recoveries	(1,353,809)
Discount, net	(1,689,167)
Gross loss reserves, net of discount	$ 5,504,929
Unearned premiums	$ 14,291
Reinsurance payable on paid losses reported in the balance sheet	$ 1,411

The Company's insured financial obligations are structured to provide for rights and remedies in order to mitigate claim loss exposure. Loss mitigation activities may include making repurchase claims or pursuing other claims for breaches of representations and warranties by the originator or others, obtaining appraisals of collateral or reviews of loan files, enforcing collateral provisions and covenants of the servicer or others, more frequent meetings with the issuer or servicer, evaluating the financial position of the originator or servicer, renegotiation of financial covenants, triggers, or terms of servicing, enforcing rights to remove and replace the servicer, evaluation of restructuring plans or bankruptcy proceedings, and in some cases, litigation or arbitration as and where appropriate.

Loss adjustment expenses incurred, excluding reinsurance, were $(819) and $1,381 for the three months ended March 31, 2012 and 2011, respectively. The loss adjustment expenses for the three months ended March 31, 2012 and 2011 relate primarily to projected litigation on certain RMBS transactions (see Note 14). The liability for loss adjustment expenses, net of reinsurance, was $61,490 and $67,750 at March 31, 2012 and December 31, 2011, respectively.

"Other Invested Assets" includes FGIC insured securities in the amount of $23,100 and $23,302 as of March 31, 2012 and December 31, 2011, respectively and is reflected at the lower of amortized cost or fair value of FGIC insured securities purchased adjusted for the estimated value associated with FGIC's credit enhancement that were purchased as part of loss mitigation efforts.

Note 26 – Inter-company Pooling Arrangements

None.

Note 27 - Structured Settlements

None.

Note 28 - Health Care Receivables

None.

Note 29 - Participating Policies

None.

NOTES TO FINANCIAL STATEMENTS

Note 30 - Premium Deficiency Reserves

None.

Note 31 - High Deductibles

None.

Note 32 - Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

No significant changes from 2011 Notes to Financial Statements.

Note 33 - Asbestos/Environmental (Mass Tort) Reserves

None.

Note 34 - Subscriber Savings Accounts

None.

Note 35 - Multiple Peril Crop Insurance

None.

Note 36 – Financial Guaranty Insurance

No significant changes from 2011 Notes to Financial Statements.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES
GENERAL

1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [ ] No [X]

1.2 If yes, has the report been filed with the domiciliary state? Yes [ ] No [ ]

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]

2.2 If yes, date of change:

3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [X] No [ ]

If yes, complete the Schedule Y - Part 1 - organizational chart.

4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [ ] No [ ] NA [X]

If yes, attach an explanation.

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2007

6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2004

6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/29/2007

6.4 By what department or departments?

New York Department of Financial Services

6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [ ] No [ ] NA [X]

6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [ ] NA [ ]

7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [X] No [ ]

7.2 If yes, give full information:

Please see user footnote below.

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [X] No [ ]

8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC
Blackstone Alternative Asset Management L.P. (BAAM	New York, NY				Yes
Blackstone Communications Advisors I L.L.C (BCOM)	New York, NY				Yes
Blackstone Debt Advisors L.P.	New York, NY				Yes
Blackstone Distressed Securities Advisors L.P.	New York, NY				Yes
Blackstone Management Partners III L.L.C.	New York, NY				Yes
Blackstone Management Partners IV L.L.C.	New York, NY				Yes
Blackstone Management Partners L.P.	New York, NY				Yes
Blackstone Mezzanine Advisors L.P.	New York, NY				Yes
Blackstone Mezzanine Advisors II L.P.	New York, NY				Yes
Blackstone Real Estate Advisors III L.P.	New York, NY				Yes
Blackstone Real Estate Advisors International LLC	New York, NY				Yes
Blackstone Real Estate Advisors International II	New York, NY				Yes
Blackstone Real Estate Advisors IV L.L.C.	New York, NY				Yes
Blackstone Real Estate Advisors L.P.	New York, NY				Yes
Blackstone Real Estate Advisors Europe L.P.	New York, NY				Yes
Blackstone Management Partners L.L.C.	New York, NY				Yes
Blackstone Management Partners L.L.C. (India)	New York, NY				Yes
Blackstone Asia Advisors L.L.C.	New York, NY				Yes
Blackstone Fund Services India Private Limited	New York, NY				Yes
Blackstone Real Estate Advisors V L.P.	New York, NY				Yes
BREA L.P.	New York, NY				Yes
Blackstone Strategic Alliance Advisors L.L.C.	New York, NY				Yes

GENERAL INTERROGATORIES

9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]

(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

(c) Compliance with applicable governmental laws, rules and regulations;

(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

(e) Accountability for adherence to the code.

9.11 If the response to 9.1 is No, please explain:

9.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).

9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $ 59,350

INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes [ ] No [X]

11.2 If yes, give full and complete information relating thereto:

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: $ 0

13. Amount of real estate and mortgages held in short-term investments: $ 0

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes [X] No [ ]

14.2 If yes, please complete the following:

		1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
14.21	Bonds	$ 0	$ 0
14.22	Preferred Stock	$ 0	$ 0
14.23	Common Stock	$ 0	$ 0
14.24	Short-Term Investments	$ 0	$ 0
14.25	Mortgage Loans on Real Estate	$ 0	$ 0
14.26	All Other	$ 0	$ 0
14.27	Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)	$ 0	$ 0
14.28	Total Investment in Parent included in Lines 14.21 to 14.26 above	$ 0	$ 0

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [ ] No [X]

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ]
If no, attach a description with this statement.

GENERAL INTERROGATORIES

16. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III – General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
State Street Bank and Trust Company	225 Liberty Street, New York, NY 10281

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? Yes [ ] No [X]

16.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

16.5 Identify all investment advisors, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address
Depository Trust Company	MacKay Shields LLC	9 West 57th Street, New York, NY 10019

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No [ ]

17.2 If no, list exceptions:

Footnote to 7.2:

As of April 30, 2012, 32 state insurance departments have suspended or revoked FGIC's certificate of authority or taken, or indicated that they intend to take, substantially similar action (OH, FL, VA, NH, MS, NC, AK, MI, WA, CT, AR, ID, WV, MO, SC, OR, AL, KY, IN, ND, NV, WY, LA, CO, CA, MA, TN, IA IL, ME, GA and UT).

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted.)

PART 2
PROPERTY & CASUALTY INTERROGATORIES

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change? Yes [ ] No [ ] NA [X]

   If yes, attach an explanation.

2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? Yes [ ] No [X]

   If yes, attach an explanation.

3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? Yes [ ] No [X]

3.2 If yes, give full and complete information thereto

4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see Annual Statement Instructions pertaining to disclosure of discounting for definition of "tabular reserves,") discounted at a rate of interest greater than zero? Yes [X] No [ ]

4.2 If yes, complete the following schedule:

			TOTAL DISCOUNT				DISCOUNT TAKEN DURING PERIOD			
1 Line of Business	2 Maximum Interest	3 Discount Rate	4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 TOTAL	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 TOTAL
Financial Guaranty - Unpaid Loss		2.530	1,643,896,886			1,643,896,886	(260,424,455)			(260,424,455)
TOTAL			1,643,896,886	0	0	1,643,896,886	(260,424,455)	0	0	(260,424,455)

5. Operating Percentages:

   5.1 A&H loss percent %

   5.2 A&H cost containment percent %

   5.3 A&H expense percent excluding cost containment expenses %

6.1 Do you act as a custodian for health savings accounts? Yes [ ] No [X]

6.2 If yes, please provide the amount of custodial funds held as of the reporting date. $

6.3 Do you act as an administrator for health savings accounts? Yes [ ] No [X]

6.4 If yes, please provide the balance of the funds administered as of the reporting date. $

SCHEDULE F—CEDED REINSURANCE

Showing All New Reinsurers - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Name of Reinsurer	4 Domiciliary Jurisdiction	5 Is Insurer Authorized? (Yes or No)
		AFFILIATES		
		US INSURERS		
		POOLS AND ASSOCIATIONS		
		ALL OTHER INSURERS		

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

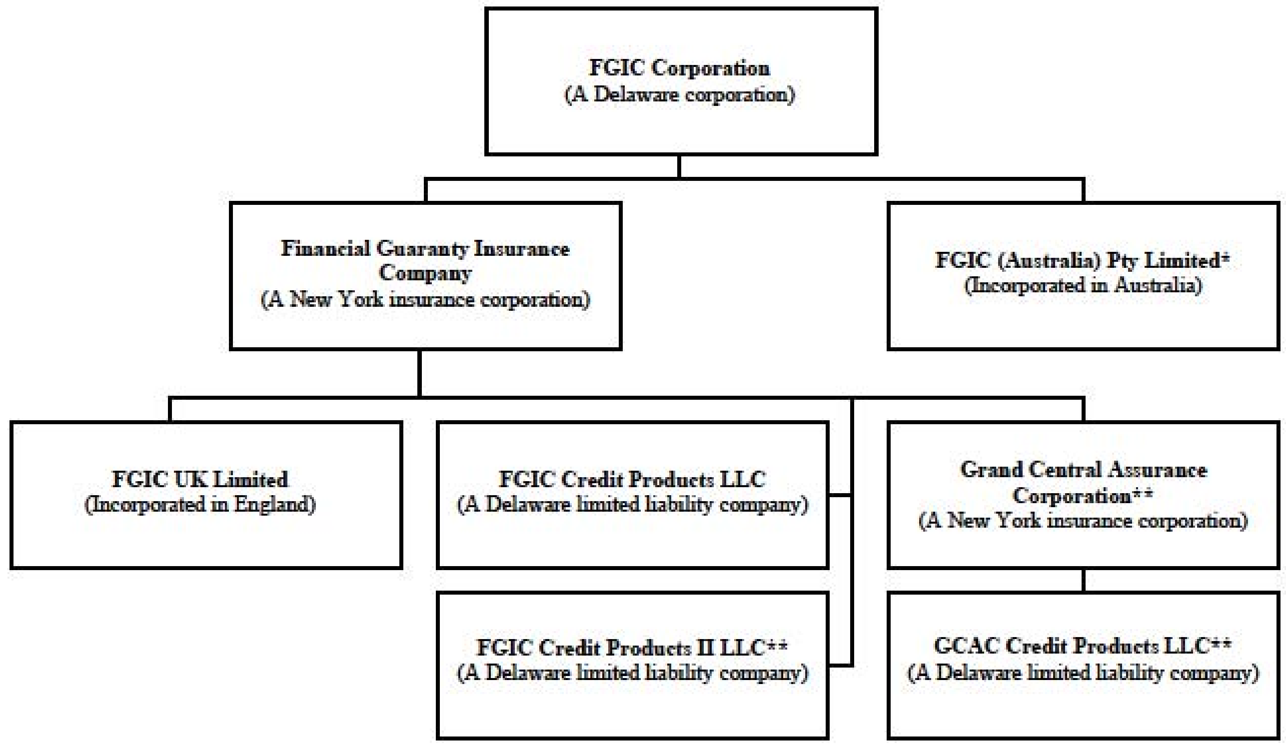
States, etc.		1 Active Status	Direct Premiums Written 2 Current Year To Date	3 Prior Year To Date	Direct Losses Paid (Deducting Salvage) 4 Current Year To Date	5 Prior Year To Date	Direct Losses Unpaid 6 Current Year To Date	7 Prior Year To Date
1. Alabama	AL	L		0		0	155,871,582	85,452,828
2. Alaska	AK	L	51	39		0		0
3. Arizona	AZ	L		0		0		0
4. Arkansas	AR	L		0		0		0
5. California	CA	L	41,830	51,049		0		0
6. Colorado	CO	L		0		0		0
7. Connecticut	CT	L		0		0		0
8. Delaware	DE	L		0		0		0
9. Dist. Columbia	DC	L		0		0		0
10. Florida	FL	L	4,431	50		0	1,825,770	1,951,442
11. Georgia	GA	L	13,433	13,506		0		0
12. Hawaii	HI	L		0		0		0
13. Idaho	ID	L		0		0		0
14. Illinois	IL	L	44,252	47,921		0		0
15. Indiana	IN	L	145	110		0		0
16. Iowa	IA	L	41	32		0		0
17. Kansas	KS	L	59	45		0		0
18. Kentucky	KY	L		0		0		0
19. Louisiana	LA	L		0		0		0
20. Maine	ME	L	58	44		0		0
21. Maryland	MD	L		0		0		0
22. Massachusetts	MA	L	272	202		0		0
23. Michigan	MI	L	9	7		0		0
24. Minnesota	MN	L	345	265		0		0
25. Mississippi	MS	L		0		0		0
26. Missouri	MO	L	30	23		0		0
27. Montana	MT	L		0		0		0
28. Nebraska	NE	L	12	9		0		0
29. Nevada	NV	L		0		0		0
30. New Hampshire	NH	L		0		0		0
31. New Jersey	NJ	L	6	5		0		0
32. New Mexico	NM	L		0		0		0
33. New York	NY	L	9,957,748	12,209,231	(492,247)	(117,512)	5,078,047,603	3,915,927,448
34. No. Carolina	NC	L	25	0		0		0
35. No. Dakota	ND	L		19		0		0
36. Ohio	OH	L	145	115		0		0
37. Oklahoma	OK	L		0		0		0
38. Oregon	OR	L		0		0		0
39. Pennsylvania	PA	L	147	120		0		0
40. Rhode Island	RI	L	12	10		0		0
41. So. Carolina	SC	L		0		0		0
42. So. Dakota	SD	L		0		0		0
43. Tennessee	TN	L		0		0		0
44. Texas	TX	L	115	88		0	2,304,143	2,384,946
45. Utah	UT	L	84	64		0		0
46. Vermont	VT	L	7	5		0		0
47. Virginia	VA	L		0		0		0
48. Washington	WA	L	41	32		0		0
49. West Virginia	WV	L		0		0		0
50. Wisconsin	WI	L		0		0		0
51. Wyoming	WY	L	30	22		0		0
52. American Samoa	AS	N		0		0		0
53. Guam	GU	N		0		0		0
54. Puerto Rico	PR	L		0		0		0
55. U.S. Virgin Islands	VI	L		0		0		0
56. Northern Mariana Islands	MP	N		0		0		0
57. Canada	CN	N		0		0		0
58. Aggregate Other Alien	OT	XXX	2,145,039	2,617,188	0	0	0	0
59. Totals		(a) 53	12,208,367	14,940,201	(492,247)	(117,512)	5,238,049,098	4,005,716,664
DETAILS OF WRITE-INS								
5801. United Kingdom		XXX	654,372	612,666		0		0
5802. Australia		XXX	799,216	761,886		0		0
5803. Turkey		XXX	405,484	613,736		0		0
5898. Summary of remaining write-ins for Line 58 from overflow page		XXX	285,967	628,900	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)		XXX	2,145,039	2,617,188	0	0	0	0

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

(a) Insert the number of L responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

FGIC Corporation Structure



All ownership interests are 100%

* In process of being dissolved.

** Formed in June 2010 in anticipation of Surplus Restoration Plan. Currently not active or licensed.

Last modified March 28, 2012

SCHEDULE Y PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

1 Group Code	2 Group Name	3 NAIC Company Code	4 Federal ID Number	5 Federal RSSD	6 CIK	7 Name of Securities Exchange if Publicly Traded (U.S. or International)	8 Names of Parent Subsidiaries or Affiliates	9 Domiciliary Location	10 Relationship to Reporting Entity	11 Directly Controlled by (Name of Entity/Person)	12 Type of Control (Ownership, Board, Management, Attorney-in-Fact, Influence, Other)	13 If Control is Ownership Provide Percentage	14 Ultimate Controlling Entity(ies)/Person(s)	15 *

NONE

NONE

PART 1 - LOSS EXPERIENCE

Line of Business	Current Year to Date 1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	4 Prior Year to Date Direct Loss Percentage
1. Fire			0.0	0.0
2. Allied lines			0.0	0.0
3. Farmowners multiple peril			0.0	0.0
4. Homeowners multiple peril			0.0	0.0
5. Commercial multiple peril			0.0	0.0
6. Mortgage guaranty			0.0	0.0
8. Ocean marine			0.0	0.0
9. Inland marine			0.0	0.0
10. Financial guaranty	45,072,285	174,843,939	387.9	1,165.6
11.1 Medical professional liability - occurrence			0.0	0.0
11.2 Medical professional liability – claims made			0.0	0.0
12. Earthquake			0.0	0.0
13. Group accident and health			0.0	0.0
14. Credit accident and health			0.0	0.0
15. Other accident and health			0.0	0.0
16. Workers' compensation			0.0	0.0
17.1 Other liability occurrence			0.0	0.0
17.2 Other liability – claims made			0.0	0.0
17.3 Excess Workers' Compensation			0.0	0.0
18.1 Products liability - occurrence			0.0	0.0
18.2 Products liability – claims made			0.0	0.0
19.1,19.2 Private passenger auto liability			0.0	0.0
19.3,19.4 Commercial auto liability			0.0	0.0
21. Auto physical damage			0.0	0.0
22. Aircraft (all perils)			0.0	0.0
23. Fidelity			0.0	0.0
24. Surety			0.0	0.0
26. Burglary and theft			0.0	0.0
27. Boiler and machinery			0.0	0.0
28. Credit			0.0	0.0
29. International			0.0	0.0
30. Warranty			0.0	0.0
31. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	0	0.0	0.0
35. TOTALS	45,072,285	174,843,939	387.9	1,165.6
DETAILS OF WRITE-INS				
3401.				
3402.				
3403.				
3498. Sum. of remaining write-ins for Line 34 from overflow page	0	0	0.0	0.0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34)	0	0	0.0	0.0

PART 2 - DIRECT PREMIUMS WRITTEN

Line of Business	1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
1. Fire	0		0
2. Allied lines	0		0
3. Farmowners multiple peril	0		0
4. Homeowners multiple peril	0		0
5. Commercial multiple peril	0		0
6. Mortgage guaranty	0		0
8. Ocean marine	0		0
9. Inland marine	0		0
10. Financial guaranty	12,208,367	12,208,367	14,940,201
11.1 Medical professional liability - occurrence	0		0
11.2 Medical professional liability – claims made	0		0
12. Earthquake	0		0
13. Group accident and health	0		0
14. Credit accident and health	0		0
15. Other accident and health	0		0
16. Workers' compensation	0		0
17.1 Other liability-occurrence	0		0
17.2 Other liability – claims made	0		0
17.3 Excess Workers' Compensation	0		0
18.1 Products liability - occurrence	0		0
18.2 Products liability – claims made	0		0
19.1,19.2 Private passenger auto liability	0		0
19.3,19.4 Commercial auto liability	0		0
21. Auto physical damage	0		0
22. Aircraft (all perils)	0		0
23. Fidelity	0		0
24. Surety	0		0
26. Burglary and theft	0		0
27. Boiler and machinery	0		0
28. Credit	0		0
29. International	0		0
30. Warranty	0		0
31. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	0	0
35. TOTALS	12,208,367	12,208,367	14,940,201
DETAILS OF WRITE-INS			
3401.			
3402.			
3403.			
3498. Sum. of remaining write-ins for Line 34 from overflow page	0	0	0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34)	0	0	0

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

Years in Which Losses Occurred	1 Prior Year-End Known Case Loss and LAE Reserves	2 Prior Year-End IBNR Loss and LAE Reserves	3 Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	4 2012 Loss and LAE Payments on Claims Reported as of Prior Year-End	5 2012 Loss and LAE Payments on Claims Unreported as of Prior Year-End	6 Total 2012 Loss and LAE Payments (Cols. 4 + 5)	7 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year-End	8 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	9 Q.S. Date IBNR Loss and LAE Reserves	10 Total Q.S. Loss and LAE Reserves (Cols.7 + 8 + 9)	11 Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4 + 7 minus Col. 1)	12 Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	13 Prior Year-End Total Loss and LAE Reserve Developed (Savings)/ Deficiency (Cols. 11 + 12)
1. 2009 + Prior	4,901,088		4,901,088	4,681		4,681	5,062,218			5,062,218	165,811	0	165,811
2. 2010	6,297		6,297			0	8,768			8,768	2,471	0	2,471
3. Subtotals 2010 + prior	4,907,385	0	4,907,385	4,681	0	4,681	5,070,986	0	0	5,070,986	168,282	0	168,282
4. 2011	85,481		85,481			0	86,518			86,518	1,037	0	1,037
5. Subtotals 2011 + prior	4,992,867	0	4,992,867	4,681	0	4,681	5,157,504	0	0	5,157,504	169,318	0	169,318
6. 2012	XXX	XXX	XXX	XXX		0	XXX			0	XXX	XXX	XXX
7. Totals	4,992,867	0	4,992,867	4,681	0	4,681	5,157,504	0	0	5,157,504	169,318	0	169,318
8. Prior Year-End Surplus As Regards Policy-holders	(3,567,076)												

Col. 11, Line 7 As % of Col. 1 Line 7	Col. 12, Line 7 As % of Col. 2 Line 7	Col. 13, Line 7 As % of Col. 3 Line 7
1. 3.4	2. 0.0	3. 3.4

Col. 13, Line 7 As a % of Col. 1 Line 8
4. (4.7)

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing on "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

		RESPONSE
1.	Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?	SEE EXPLANATION
2.	Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?	NO
3.	Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	NO
4.	Will the Director and Officer Supplement be filed with the state of domicile and the NAIC with this statement?	NO

Explanation:

1. Company is a United States entity.

2.

3.

4.

Bar Code:

2. 1 2 8 1 5 2 0 1 2 4 5 5 0 0 0 0 1

3. 1 2 8 1 5 2 0 1 2 3 6 5 0 0 0 0 1

4. 1 2 8 1 5 2 0 1 2 5 0 5 0 0 0 0 1

Company is a United States entity.

OVERFLOW PAGE FOR WRITE-INS

PQ010 Additional Aggregate Lines for Page 10 Line 58.
*SCT

	1 Active Status	2 Current Year To Date	3 Prior Year To Date	4 Current Year To Date	5 Prior Year To Date	6 Current Year To Date	7 Prior Year To Date
5804. Brazil	XXX	274,083	345,914		0		0
5805. Mexico	XXX		146,211		0		0
5806. Italy	XXX	11,884	136,775		0		0
5807.	XXX		0		0		0
5808.	XXX		0		0		0
5809.	XXX		0		0		0
5810.	XXX		0		0		0
5811.	XXX		0		0		0
5812.	XXX		0		0		0
5813.	XXX		0		0		0
5814.	XXX		0		0		0
5815.	XXX		0		0		0
5816.	XXX		0		0		0
5817.	XXX		0		0		0
5818.	XXX		0		0		0
5819.	XXX		0		0		0
5820.	XXX		0		0		0
5821.	XXX		0		0		0
5822.	XXX		0		0		0
5823.	XXX		0		0		0
5824.	XXX		0		0		0
5825.	XXX		0		0		0
5826.	XXX		0		0		0
5827.	XXX		0		0		0
5828.	XXX		0		0		0
5829.	XXX		0		0		0
5830.	XXX		0		0		0
5831.	XXX		0		0		0
5832.	XXX		0		0		0
5833.	XXX		0		0		0
5834.	XXX		0		0		0
5835.	XXX		0		0		0
5836.	XXX		0		0		0
5837.	XXX		0		0		0
5838.	XXX		0		0		0
5839.	XXX		0		0		0
5840.	XXX		0		0		0
5841.	XXX		0		0		0
5842.	XXX		0		0		0
5843.	XXX		0		0		0
5844.	XXX		0		0		0
5845.	XXX		0		0		0
5846.	XXX		0		0		0
5847.	XXX		0		0		0
5848.	XXX		0		0		0
5849.	XXX		0		0		0
5850.	XXX		0		0		0
5851.	XXX		0		0		0
5852.	XXX		0		0		0
5853.	XXX		0		0		0
5854.	XXX		0		0		0
5855.	XXX		0		0		0
5856.	XXX		0		0		0
5857.	XXX		0		0		0
5858.	XXX		0		0		0
5859.	XXX		0		0		0
5860.	XXX		0		0		0
5861.	XXX		0		0		0
5862.	XXX		0		0		0
5863.	XXX		0		0		0
5864.	XXX		0		0		0
5865.	XXX		0		0		0
5866.	XXX		0		0		0
5867.	XXX		0		0		0
5868.	XXX		0		0		0
5869.	XXX		0		0		0
5870.	XXX		0		0		0
5871.	XXX		0		0		0
5872.	XXX		0		0		0
5873.	XXX		0		0		0
5874.	XXX		0		0		0
5875.	XXX		0		0		0
5876.	XXX		0		0		0
5877.	XXX		0		0		0
5878.	XXX		0		0		0
5879.	XXX		0		0		0
5880.	XXX		0		0		0
5881.	XXX		0		0		0
5882.	XXX		0		0		0
5883.	XXX		0		0		0
5884.	XXX		0		0		0
5885.	XXX		0		0		0
5886.	XXX		0		0		0
5887.	XXX		0		0		0
5888.	XXX		0		0		0
5889.	XXX		0		0		0
5890.	XXX		0		0		0
5891.	XXX		0		0		0
5892.	XXX		0		0		0
5893.	XXX		0		0		0
5894.	XXX		0		0		0
5895.	XXX		0		0		0
5897. Summary of remaining write-ins for Line 58 from Page 10	XXX	285,967	628,900	0	0	0	0

SCHEDULE A - VERIFICATION

Real Estate

NONE

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		0
2.2 Additional investment made after acquisition		0
3. Current year change in encumbrances		0
4. Total gain (loss) on disposals		0
5. Deduct amounts received on disposals		0
6. Total foreign exchange change in book/adjusted carrying value		0
7. Deduct current year's other than temporary impairment recognized		0
8. Deduct current year's depreciation		0
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8)	0	0
10. Deduct total nonadmitted amounts	0	0
11. Statement value at end of current period (Line 9 minus Line 10)	0	0

SCHEDULE B – VERIFICATION

Mortgage Loans

NONE

	1 Year to Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		0
2.2 Additional investment made after acquisition		0
3. Capitalized deferred interest and other		0
4. Accrual of discount		0
5. Unrealized valuation increase (decrease)		0
6. Total gain (loss) on disposals		0
7. Deduct amounts received on disposals		0
8. Deduct amortization of premium and mortgage interest points and commitment fees		0
9. Total foreign exchange change in book value/recorded investment excluding accrued interest		0
10. Deduct current year's other than temporary impairment recognized		0
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	0	0
12. Total valuation allowance		0
13. Subtotal (Line 11 plus Line 12)	0	0
14. Deduct total nonadmitted amounts	0	0
15. Statement value at end of current period (Line 13 minus Line 14)	0	0

SCHEDULE BA – VERIFICATION

Other Long-Term Invested Assets

NONE

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		0
2.2 Additional investment made after acquisition		0
3. Capitalized deferred interest and other		0
4. Accrual of discount		0
5. Unrealized valuation increase (decrease)		0
6. Total gain (loss) on disposals		0
7. Deduct amounts received on disposals		0
8. Deduct amortization of premium and depreciation		0
9. Total foreign exchange change in book/adjusted carrying value		0
10. Deduct current year's other than temporary impairment recognized		0
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	0	0
12. Deduct total nonadmitted amounts	0	0
13. Statement value at end of current period (Line 11 minus Line 12)	0	0

SCHEDULE D – VERIFICATION

Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	1,074,128,524	561,555,799
2. Cost of bonds and stocks acquired	33,068,321	679,499,677
3. Accrual of discount	570,710	2,091,960
4. Unrealized valuation increase (decrease)		(16,512,192)
5. Total gain (loss) on disposals	0	4,608,155
6. Deduct consideration for bonds and stocks disposed of	32,342,353	149,468,985
7. Deduct amortization of premium	2,189,199	4,496,543
8. Total foreign exchange change in book/adjusted carrying value	40,316	1,095,100
9. Deduct current year's other than temporary impairment recognized	383,394	4,244,447
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	1,072,892,925	1,074,128,524
11. Deduct total nonadmitted amounts	0	0
12. Statement value at end of current period (Line 10 minus Line 11)	1,072,892,925	1,074,128,524

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	1,993,165,002	313,191,211	306,829,421	(2,910,536)	1,996,616,255	0	0	1,993,165,002
2. Class 2 (a)	7,158,347			3,119	7,161,466	0	0	7,158,347
3. Class 3 (a)	0				0	0	0	0
4. Class 4 (a)	0				0	0	0	0
5. Class 5 (a)	0				0	0	0	0
6. Class 6 (a)	1,381,150			0	1,381,150	0	0	1,381,150
7. Total Bonds	2,001,704,499	313,191,211	306,829,421	(2,907,417)	2,005,158,871	0	0	2,001,704,499
PREFERRED STOCK								
8. Class 1	0				0	0	0	0
9. Class 2	0				0	0	0	0
10. Class 3	3,713,344				3,713,344	0	0	3,713,344
11. Class 4	0				0	0	0	0
12. Class 5	0				0	0	0	0
13. Class 6	0				0	0	0	0
14. Total Preferred Stock	3,713,344	0	0	0	3,713,344	0	0	3,713,344
15. Total Bonds & Preferred Stock	2,005,417,843	313,191,211	306,829,421	(2,907,417)	2,008,872,215	0	0	2,005,417,843

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 $ 622,273,567 ; NAIC 2 $ 5,880,000 ; NAIC 3 $; NAIC 4 $; NAIC 5 $; NAIC 6 $

SCHEDULE DA - PART 1

Short-Term Investments

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
9199999	935,979,290	XXX	937,101,882	1,657,404	176,452

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	931,289,319	1,297,860,962
2. Cost of short-term investments acquired	280,122,890	4,113,881,968
3. Accrual of discount	3,987	230,622
4. Unrealized valuation increase (decrease)		0
5. Total gain (loss) on disposals		93
6. Deduct consideration received on disposals	274,487,068	4,478,391,648
7. Deduct amortization of premium	1,175,620	1,976,190
8. Total foreign exchange change in book/adjusted carrying value	225,782	(308,368)
9. Deduct current year's other than temporary impairment recognized		8,121
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	935,979,290	931,289,319
11. Deduct total nonadmitted amounts		0
12. Statement value at end of current period (Line 10 minus Line 11)	935,979,290	931,289,319

Schedule DB - Part A - Verification

NONE

Schedule DB - Part B- Verification

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Verification

NONE

SCHEDULE E-VERIFICATION

(Cash Equivalents)

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	203,891	204,084
2. Cost of cash equivalents acquired	0	324,863,410
3. Accrual of discount		0
4. Unrealized valuation increase (decrease)		0
5. Total gain (loss) on disposals	0	0
6. Deduct consideration received on disposals	53	324,863,410
7. Deduct amortization of premium	0	0
8. Total foreign exchange change in book/adjusted carrying value	0	(193)
9. Deduct current year's other than temporary impairment recognized		0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	203,838	203,891
11. Deduct total nonadmitted amounts		0
12. Statement value at end of current period (Line 10 minus Line 11)	203,838	203,891

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

Schedule BA - Part 2

NONE

Schedule BA - Part 3

NONE

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
EG4569-04-2	UK Treasury Bill 5.000% 03/07/18	D	03/14/2012	Royal Bank of Canada		18,121,260	15,057,600	24,550	1FE
1099999 - Total - Bonds - All Other Governments						18,121,260	15,057,600	24,550	XXX
312938-YF-4	FHLMC Pool # A90710 4.500% 01/01/40		01/01/2012	Morgan Stanley		(7,793)	(7,275)	(10)	1
3132GK-ZQ-2	Freddie Mac Pool #Q04651 4.00% 11/01/41		02/01/2012	Morgan Stanley		1,061,717	993,419	1,325	1
3132GM-DJ-8	Freddie Mac Pool #Q05805 4.00% 01/01/42		03/26/2012	Deutsche Bank		3,996,360	3,779,542	4,607	1
3138E7-XW-9	FNMA Pool # AK3392 4.000% 02/01/42		02/23/2012	PNC Securities		3,489,332	3,295,709	4,028	1
31410K-XB-5	FNMA Pool # 889974 5.000% 09/01/35		02/06/2012	Barclays Capital Inc		3,394,735	3,140,547	5,234	1
31417Y-TV-9	FNMA Pool # MA0563 4.000% 11/01/30		01/12/2012	Royal Bank of Canada		3,012,711	2,853,115	3,804	1
3199999 - Total - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of...						14,947,062	14,055,057	18,988	XXX
8399997 - Total - Bonds - Part 3						33,068,321	29,112,657	43,539	XXX
8399999 - Total - Bonds						33,068,321	29,112,657	43,539	XXX
8999999 - Total - Preferred Stocks						0	XXX	0	XXX
9799999 - Total - Common Stocks						0	XXX	0	XXX
9899999 - Total - Preferred and Common Stocks						0	XXX	0	XXX
9999999 Totals						33,068,321	XXX	43,539	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues .

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identi-fication	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Stated Contractual Maturity Date	NAIC Desig-nation or Market Indicator (a)
EC3919-56-9	UK Treasury 5.000% 03/07/12	D	03/07/2012	Maturity		250,432	250,432	268,519	249,343		(1,919)		(1,919)	10,789	250,432	0		0	6,282	03/07/2012	1FE
1099999 - Bonds - All Other Governments						250,432	250,432	268,519	249,343	0	(1,919)	0	(1,919)	10,789	250,432	0	0	0	6,282	XXX	XXX
010257-DH-3	Alabama Drinking Wtr Fin Auth Revolving		03/15/2012	Call 100.0000		3,580,000	3,580,000	3,639,794	3,580,000				0		3,580,000			0	112,248	08/15/2023	1Z
31283K-6E-3	Federal Home Loan Gold 15 Yr Pool # G117		03/01/2012	Paydown		48,432	48,432	47,857	47,934		498		498		48,432			0	397	10/01/2020	1
3128K8-NN-2	Federal Home Loan Gold 30 Yr Pool # A475		03/01/2012	Paydown		168,327	168,327	161,699	161,925		6,402		6,402		168,327			0	1,399	11/01/2035	1
3128KY-6A-2	Federal Home Loan Gold 30 Yr Pool # A680		03/01/2012	Paydown		3,619	3,619	3,707	3,704		(85)		(85)		3,619			0	40	10/01/2037	1
3128KY-6C-8	Federal Home Loan Gold 30 Yr Pool # A680		03/01/2012	Paydown		2,032	2,032	2,081	2,080		(48)		(48)		2,032			0	22	10/01/2037	1
3128KY-RB-7	Federal Home Loan Gold 30 Yr Pool # A676		03/01/2012	Paydown		5,027	5,027	5,150	5,145		(118)		(118)		5,027			0	54	10/01/2037	1
3128M1-CR-8	Federal Home Loan Gold 15 Yr Pool # G119		03/01/2012	Paydown		105,173	105,173	101,895	102,293		2,880		2,880		105,173			0	858	04/01/2021	1
3128M8-U8-5	FHLMC Pool # G00607 4.500% 06/01/41		03/01/2012	Paydown		511,384	511,384	531,839	531,606		(20,222)		(20,222)		511,384			0	4,575	06/01/2041	1
3128MC-Z5-7	FHLMC Pool # G14164 3.500% 05/01/26		03/01/2012	Paydown		154,946	154,946	159,062	158,951		(4,004)		(4,004)		154,946			0	907	05/01/2026	1
3128MJ-FQ-8	Federal Home Loan Gold 30 Yr Pool # G081		03/01/2012	Paydown		106,144	106,144	106,650	106,638		(493)		(493)		106,144			0	1,048	01/01/2037	1
3128P7-RA-3	FHLMC Pool # C91381 4.000% 07/01/31		03/01/2012	Paydown		658,273	658,273	677,851	677,461		(19,188)		(19,188)		658,273			0	4,191	07/01/2031	1
31292J-BG-4	Federal Home Loan Pool # C01839 5.000%		03/01/2012	Paydown		294,325	294,325	286,644	286,993		7,332		7,332		294,325			0	2,450	05/01/2034	1
312938-YF-4	FHLMC Pool # A90710 4.500% 01/01/40		03/01/2012	Paydown		154,806	154,806	165,836			(11,030)		(11,030)		154,806			0	917	01/01/2040	1
312945-ZG-6	FHLMC Pool # A97043 4.500% 02/01/41		03/01/2012	Paydown		137,758	137,758	143,247	143,183		(5,425)		(5,425)		137,758			0	1,080	02/01/2041	1
312968-JE-1	Federal Home Loan Gold 15 Yr Pool # B156		03/01/2012	Paydown		278,423	278,423	274,942	275,818		2,604		2,604		278,423			0	2,338	07/01/2019	1
31297B-3N-0	Federal Home Loan Gold 30 Yr Pool # A244		03/01/2012	Paydown		131,103	131,103	134,443	134,240		(3,137)		(3,137)		131,103			0	1,744	07/01/2034	1
31297U-AZ-3	Federal Home Loan Gold 30 Yr Pool # A381		03/01/2012	Paydown		70,742	70,742	70,443	70,449		293		293		70,742			0	637	09/01/2035	1
3132GA-HX-9	Federal Home Loan Gold 30 Yr Pool # U604		03/01/2012	Paydown		115,248	115,248	119,719	119,668		(4,419)		(4,419)		115,248			0	720	03/01/2041	1
3132GK-ZQ-2	Freddie Mac Pool # Q04651 4.000% 11/01		03/01/2012	Paydown		2,487	2,487	2,658			(171)		(171)		2,487			0	8	11/01/2041	1
31371L-CB-3	FNMA Conventional Loan Pool # 254866 5		03/01/2012	Paydown		77,968	77,968	79,454	78,854		(886)		(886)		77,968			0	648	09/01/2018	1
31371L-JS-9	FNMA Conventional Loan Pool # 255073 5		03/01/2012	Paydown		212,738	212,738	217,624	217,346		(4,608)		(4,608)		212,738			0	1,847	02/01/2034	1
31371L-M4-8	FNMA Conventional Loan Pool # 255179 5		03/01/2012	Paydown		207,781	207,781	210,930	210,718		(2,937)		(2,937)		207,781			0	1,884	04/01/2034	1
31371L-MZ-9	FNMA Conventional Loan Pool # 255176 4		03/01/2012	Paydown		131,345	131,345	130,832	130,866		479		479		131,345			0	1,007	04/01/2019	1
31371L-QV-4	FNMA Conventional Loan Pool # 255268 5		03/01/2012	Paydown		192,069	192,069	187,867	188,057		4,011		4,011		192,069			0	1,586	07/01/2034	1
31371L-VD-8	FNMA Conventional Loan Pool # 255412 6		03/01/2012	Paydown		182,516	182,516	182,573	182,540		(24)		(24)		182,516			0	1,804	10/01/2034	1
3138A4-Y5-8	FNMA Pool # AH3431 3.500% 01/01/26		03/01/2012	Paydown		99,599	99,599	102,198	102,124		(2,524)		(2,524)		99,599			0	616	01/01/2026	1
3138A6-D8-0	FNMA Pool # AH4626 3.500% 02/01/26		03/01/2012	Paydown		376,928	376,928	386,174	385,909		(8,982)		(8,982)		376,928			0	2,253	02/01/2026	1
3138A6-ZA-1	FNMA Pool # AH5236 3.500% 01/01/26		03/01/2012	Paydown		413,383	413,383	423,459	423,168		(9,786)		(9,786)		413,383			0	2,217	01/01/2026	1
3138A7-QB-7	FNMA Pool # AH5849 4.500% 02/01/41		03/01/2012	Paydown		107,970	107,970	114,650	114,634		(6,664)		(6,664)		107,970			0	840	02/01/2041	1
3138A8-LC-8	FNMA Pool # AH6622 4.000% 03/01/41		03/01/2012	Paydown		51,059	51,059	53,261	53,250		(2,192)		(2,192)		51,059			0	382	03/01/2041	1
3138AA-AM-3	FNMA Pool # AH8111 3.000% 03/01/26		03/01/2012	Paydown		148,119	148,119	153,057	152,971		(4,852)		(4,852)		148,119			0	855	03/01/2026	1

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identi- fication	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Stated Contractual Maturity Date	NAIC Desig- nation or Market Indicator (a)
31391C-5F-8	FNMA Conventional Loan Pool # 663346 5		03/01/2012	Paydown		22,584	22,584	22,545	22,533		51		51		22,584			0	166	09/01/2017	1
31391D-PG-2	FNMA Conventional Loan Pool # 663823 5		03/01/2012	Paydown		432	432	431	431		1		1		432			0	4	12/01/2017	1
31400F-XS-1	FNMA Conventional Loan Pool # 686589 5		03/01/2012	Paydown		459	459	458	458		1		1		459			0	3	02/01/2018	1
31402C-4H-2	FNMA Conventional Loan Pool # 725424 5		03/01/2012	Paydown		108,954	108,954	109,550	109,507		(553)		(553)		108,954			0	975	04/01/2034	1
31402C-WR-9	FNMA Conventional Loan Pool # 725256 5		03/01/2012	Paydown		58,103	58,103	58,012	58,006		97		97		58,103			0	585	02/01/2034	1
31402D-KH-2	FNMA Conventional Loan Pool # 725796 5		03/01/2012	Paydown		9,607	9,607	9,575	9,574		33		33		9,607			0	86	09/01/2019	1
31402D-P7-9	FNMA Conventional Loan Pool # 725946 5		03/01/2012	Paydown		141,294	141,294	140,367	140,381		913		913		141,294			0	1,289	11/01/2034	1
31402H-YG-0	FNMA Conventional Loan Pool # 729811 5		03/01/2012	Paydown		76,442	76,442	78,663	77,831		(1,389)		(1,389)		76,442			0	661	01/01/2019	1
31402Q-SZ-5	FNMA Conventional Loan Pool # 735036 5		03/01/2012	Paydown		134,377	134,377	133,380	133,397		980		980		134,377			0	1,232	12/01/2034	1
31402Q-WA-5	FNMA Conventional Loan Pool # 735141 5		03/01/2012	Paydown		119,027	119,027	115,149	115,285		3,742		3,742		119,027			0	1,092	01/01/2035	1
31402R-D2-2	FNMA Conventional Loan Pool # 735521 5		03/01/2012	Paydown		30,371	30,371	30,295	30,287		83		83		30,371			0	268	03/01/2020	1
31403C-2Z-3	FNMA Conventional Loan Pool # 745192 5		03/01/2012	Paydown		18,676	18,676	18,614	18,612		64		64		18,676			0	162	06/01/2020	1
31403E-FQ-5	FNMA Conventional Loan Pool # 746375 5		03/01/2012	Paydown		166,312	166,312	170,990	169,304		(2,992)		(2,992)		166,312			0	1,484	10/01/2018	1
31403J-YU-4	FNMA Conventional Loan Pool # 750523 5		03/01/2012	Paydown		19,431	19,431	19,981	19,793		(362)		(362)		19,431			0	156	01/01/2019	1
31403K-SM-6	FNMA Conventional Loan Pool # 751224 5		03/01/2012	Paydown		118,953	118,953	121,778	121,167		(2,215)		(2,215)		118,953			0	1,090	02/01/2034	1
31403N-HV-2	FNMA Conventional Loan Pool # 753644 5		03/01/2012	Paydown		46,419	46,419	48,109	47,521		(1,101)		(1,101)		46,419			0	426	11/01/2018	1
31403R-KJ-6	FNMA Conventional Loan Pool # 755497 5		03/01/2012	Paydown		5,324	5,324	5,311	5,309		14		14		5,324			0	47	11/01/2018	1
31403V-ED-7	FNMA Conventional Loan Pool # 758932 5		03/01/2012	Paydown		24,213	24,213	24,898	24,659		(446)		(446)		24,213			0	142	01/01/2019	1
31403W-BU-0	FNMA Conventional Loan Pool # 759751 5		03/01/2012	Paydown		2,712	2,712	2,744	2,741		(29)		(29)		2,712			0	25	01/01/2034	1
31403X-YW-9	FNMA Conventional Loan Pool # 761325 5		03/01/2012	Paydown		12,476	12,476	12,437	12,435		41		41		12,476			0	100	04/01/2019	1
31404A-G5-7	FNMA Conventional Loan Pool # 762620 5		03/01/2012	Paydown		21,393	21,393	21,917	21,884		(491)		(491)		21,393			0	178	12/01/2033	1
31404B-3G-5	FNMA Conventional Loan Pool # 764099 5		03/01/2012	Paydown		81,803	81,803	82,199	82,161		(358)		(358)		81,803			0	514	03/01/2034	1
31404B-QD-7	FNMA Conventional Loan Pool # 763752 5		03/01/2012	Paydown		24,304	24,304	24,293	24,288		16		16		24,304			0	232	01/01/2034	1
31404K-FX-5	FNMA Conventional Loan Pool # 770682 5		03/01/2012	Paydown		157,773	157,773	158,537	158,479		(706)		(706)		157,773			0	1,511	04/01/2034	1
31404V-VP-0	FNMA Conventional Loan Pool # 780122 5		03/01/2012	Paydown		15,302	15,302	14,967	14,989		313		313		15,302			0	98	05/01/2034	1
31405A-TF-0	FNMA Conventional Loan Pool # 783650 5		03/01/2012	Paydown		273,430	273,430	262,322	262,837		10,593		10,593		273,430			0	2,304	06/01/2034	1
31405F-4E-9	FNMA Conventional Loan Pool # 788421 5		03/01/2012	Paydown		2,344	2,344	2,337	2,337		8		8		2,344			0	20	09/01/2019	1
31405F-4M-1	FNMA Conventional Loan Pool # 788428 5		03/01/2012	Paydown		1,541	1,541	1,536	1,536		5		5		1,541			0	14	09/01/2019	1
31406G-YR-4	FNMA Conventional Loan Pool # 809920 5		03/01/2012	Paydown		98,280	98,280	99,155	99,066		(786)		(786)		98,280			0	900	03/01/2035	1
31407H-F7-6	FNMA Conventional Loan Pool # 830990 6		03/01/2012	Paydown		88,005	88,005	87,476	87,481		524		524		88,005			0	804	08/01/2035	1
31407H-PD-2	FNMA Conventional Loan Pool # 831220 6		03/01/2012	Paydown		85,275	85,275	86,368	86,313		(1,038)		(1,038)		85,275			0	848	01/01/2036	1
31407X-NV-9	FNMA Conventional Loan Pool # 843804 6		03/01/2012	Paydown		56,259	56,259	56,769	56,744		(484)		(484)		56,259			0	812	11/01/2035	1
31410B-2S-2	FNMA Conventional Loan Pool # 884685 6		03/01/2012	Paydown		112,299	112,299	113,422	113,343		(1,044)		(1,044)		112,299			0	592	04/01/2036	1

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identi-fication	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Stated Contractual Maturity Date	NAIC Desig-nation or Market Indicator (a)
31410C-QT-2	FNMA Conventional Loan Pool # 885266 6		03/01/2012	Paydown		64,427	64,427	65,072	65,036		(608)		(608)		64,427			0	956	05/01/2036	1
31410E-MG-0	FNMA Conventional Loan Pool # 886959 6		03/01/2012	Paydown		108,897	108,897	108,455	108,454		443		443		108,897			0	1,114	06/01/2036	1
31410G-AF-0	FNMA Conventional Loan Pool # 888406 5		03/01/2012	Paydown		188,571	188,571	178,524	178,833		9,738		9,738		188,571			0	1,533	08/01/2036	1
31410K-XB-5	FNMA Pool # 889974 5.000% 09/01/35		03/01/2012	Paydown		99,185	99,185	107,212			(8,028)		(8,028)		99,185			0	413	09/01/2035	1
31411H-RS-1	FNMA Conventional Loan Pool # 908697 6		03/01/2012	Paydown		10,961	10,961	11,070	11,061		(100)		(100)		10,961			0	107	08/01/2036	1
31412N-6G-6	FNMA Pool # 930671 4.500% 03/01/39		03/01/2012	Paydown		531,046	531,046	554,030	553,729		(22,684)		(22,684)		531,046			0	3,884	03/01/2039	1
31412P-5L-1	FNMA Pool # 931551 4.500% 07/01/39		03/01/2012	Paydown		753,874	753,874	786,502	786,082		(32,209)		(32,209)		753,874			0	5,667	07/01/2039	1
31416C-EZ-5	FNMA Pool # 995752 4.500% 05/01/39		03/01/2012	Paydown		596,256	596,256	622,062	621,727		(25,472)		(25,472)		596,256			0	4,228	05/01/2039	1
31416W-U5-9	FNMA Pool # AB1503 3.000% 09/01/25		03/01/2012	Paydown		101,831	101,831	105,130	105,071		(3,239)		(3,239)		101,831			0	519	09/01/2025	1
31416X-JD-3	FNMA Pool # AB2059 3.500% 01/01/26		03/01/2012	Paydown		635,262	635,262	651,838	651,362		(16,101)		(16,101)		635,262			0	4,055	01/01/2026	1
31416Y-5G-9	FNMA Pool # AB3546 4.000% 09/01/31		03/01/2012	Paydown		267,526	267,526	282,575	282,397		(14,870)		(14,870)		267,526			0	1,921	09/01/2031	1
31417Y-4C-8	FNMA Pool # MA0818 4.000% 08/01/31		03/01/2012	Paydown		615,635	615,635	633,527	633,159		(17,525)		(17,525)		615,635			0	4,023	08/01/2031	1
31417Y-TV-9	FNMA Pool # MA0563 4.000% 11/01/30		03/01/2012	Paydown		85,479	85,479	90,261			(4,782)		(4,782)		85,479			0	285	11/01/2030	1
31418D-KG-6	FNMA Pool # MA3894 4.000% 09/01/31		03/01/2012	Paydown		681,928	681,928	718,688	718,252		(36,324)		(36,324)		681,928			0	4,762	09/01/2031	1
83712D-KU-9	South Carolina Hsg Fin & Dev Series A-2		01/01/2012	Call 100.0000		80,000	80,000	71,054	71,521		8,479		8,479		80,000			0	2,200	07/01/2034	1FE
3199999 - Total - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of...						15,684,776	15,684,776	15,998,181	15,565,898	0	(247,093)	0	(247,093)	0	15,684,776	0	0	0	206,059	XXX	XXX
52108H-JK-1	LB UBS Commercial Mortgage Series 2002-C		02/11/2012	Paydown		3,000,000	3,000,000	2,945,724	2,994,990		5,010		5,010		3,000,000			0	32,875	03/15/2034	1FM
52108H-JN-5	LB UBS Commercial Mortgage Series 2002-C		02/11/2012	Paydown		2,300,000	2,300,000	2,054,009	2,285,032		14,968		14,968		2,300,000			0	25,653	03/15/2034	1FM
61745M-6D-0	Morgan Stanley Capital I Series 2005-HQ6		03/01/2012	Paydown		56,252	56,252	54,825	56,252				0		56,252			0	392	08/13/2042	1FM
61746W-MW-7	Morgan Stanley Dean Witter Series 2002-H		03/01/2012	Paydown		5,531,000	5,531,000	5,524,576	5,516,967		14,033		14,033		5,531,000			0	91,815	04/15/2034	1FM
61746W-MX-5	Morgan Stanley Dean Witter Series 2002-H		03/01/2012	Paydown		3,000,000	3,000,000	2,998,451	2,992,513		7,487		7,487		3,000,000			0	50,625	04/15/2034	1FM
90783V-AA-3	Union Pacific Railroad 5.082% 01/02/29		01/03/2012	Redemption 100.0000		19,894	19,894	19,026	19,082		813		813		19,894			0	506	01/02/2029	1AM
92344U-AA-3	Verizon New Jersey Inc 5.875% 01/17/12		01/17/2012	Maturity		2,500,000	2,500,000	2,541,100	2,500,292		(292)		(292)		2,500,000			0	73,438	01/17/2012	1FE
3899999 - Bonds - Industrial and Miscellaneous						16,407,146	16,407,146	16,137,711	16,365,128	0	42,019	0	42,019	0	16,407,146	0	0	0	275,304	XXX	XXX
8399997 - Bonds - Part 4						32,342,354	32,342,354	32,404,411	32,180,369	0	(206,993)	0	(206,993)	10,789	32,342,354	0	0	0	487,645	XXX	XXX
8399999 - Total - Bonds						32,342,354	32,342,354	32,404,411	32,180,369	0	(206,993)	0	(206,993)	10,789	32,342,354	0	0	0	487,645	XXX	XXX
8999999 - Total - Preferred Stocks						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
9799999 - Total - Common Stocks						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
9899999 - Total - Preferred and Common Stocks						0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
9999999 Totals						32,342,354	XXX	32,404,411	32,180,369	0	(206,993)	0	(206,993)	10,789	32,342,354	0	0	0	487,645	XXX	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues ....

Schedule DB - Part A - Section 1

NONE

Sch. DB - Pt. A - Sn. 1 - Footnote (a)

NONE

Schedule DB - Part B - Section 1

NONE

Sch. DB - Pt. B - Sn. 1 - Footnotes

NONE

Schedule DB - Part D

NONE

Schedule DL - Part 1

NONE

Schedule DL - Part 2

NONE

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1	2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
					6	7	8	
Depository	Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	First Month	Second Month	Third Month	*
Caisse Des Depots Et Consignat Paris, France					1,654,518	1,712,997	1,699,291	XXX
State Street Bank New York, New York					(179,183)	381,242	960,789	XXX
JP Morgan Bank London, UK					1,177,659	1,147,408	917,540	XXX
JP Morgan Bank Paris, France					157,489	162,924	61,504	XXX
JP Morgan Bank Nrew York, New York					(504)	176,657	19,377	XXX
0199998 Deposits in .... depositories that do not exceed the allowable limit in any one depository (see Instructions) - Open Depositories	XXX	XXX						XXX
0199999 Totals - Open Depositories	XXX	XXX	0	0	2,809,979	3,581,228	3,658,501	XXX
0399999 Total Cash on Deposit	XXX	XXX	0	0	2,809,978	3,581,229	3,658,501	XXX
0499999 Cash in Company's Office	XXX	XXX	XXX	XXX				XXX
0599999 Total	XXX	XXX	0	0	2,809,978	3,581,229	3,658,501	XXX

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Amount Received During Year
2599999 - U.S. Special Revenue - Issuer Obligations					0	0	0
3199999 - Total - Special Revenue Bonds					0	0	0
7799999 - Total - Issuer Obligations					0	0	0
8399999 - Total - Bonds					0	0	0
JP Morgan Cash Collateral Money Market		03/31/2012	0.000	04/01/2012	150,000		
State Street Operating Cash		03/31/2012	0.000	04/01/2012	53,838		
8599999 - Other Cash Equivalents					203,838	0	0
8699999 Total Cash Equivalents					203,838	0	0

<u>Exhibit D</u>

1310 Order

STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, N.Y. 10004

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In the Matter of

FINANCIAL GUARANTY INSURANCE COMPANY

ORDER PURSUANT TO INSURANCE LAW § 1310

-------------------------------X

WHEREAS, Financial Guaranty Insurance Company ("FGIC" or the "Company") is a domestic financial guaranty insurance corporation organized and licensed under Article 69 of the New York Insurance Law ("Insurance Law"); and

WHEREAS, Section 1310 of the Insurance Law provides that whenever the Superintendent of Insurance (the "Superintendent") finds that the admitted assets of a domestic stock insurer are less than the aggregate amount of its liabilities and outstanding capital stock, or the admitted assets of any such insurer which is required to maintain a minimum surplus to policyholders are less than the aggregate amount of its liabilities and the amount of its minimum surplus to policyholders, the Superintendent shall determine the amount of the impairment and order the insurer to eliminate the impairment within such period as he designates, and may also order the insurer not to issue any new polices while the impairment exists; and

WHEREAS, pursuant to Section 201 of the Insurance Law, the Superintendent possesses the rights, powers and duties in connection with the business of insurance in the State of New York, expressed or reasonably implied by the Insurance Law or any other applicable law of the State of New York State; and

WHEREAS, in its Quarterly Statement for the 3rd Quarter of 2009 filed with the New York State Insurance Department (the "Department"), the Company reported a surplus to policyholders deficit at September 30, 2009 of $865,834,577 and an impairment of its required minimum surplus to policyholders of $ 932,234,577; and

WHEREAS, the Superintendent has directed the Company to submit a plan to eliminate the aforementioned impairment of the Company's surplus to policyholders; and

WHEREAS, on November 23, 2009, the Company submitted a letter to the Department (the "Letter") seeking approval of an outline of a proposal under Section 1310 of the Insurance Law to effectuate a comprehensive Surplus Restoration Plan (as such term is defined below), and eliminate the impairment to the Company's surplus; and

WHEREAS, the Company proposes to: commence a tender offer for the acquisition or exchange of certain residential mortgage backed securities ("RMBS") guaranteed by the Company in the primary market; continue to pursue commutations with the holders of insured collateralized debt obligations of asset-backed securities ("ABS CDOs"); and commute terminate or restructure the Company's exposure in respect of certain other obligations for which it has established statutory loss reserves; all with a view to remediate its RMBS, ABS CDO, and other exposures, remove its capital impairment and return it to compliance with the applicable minimum surplus to policyholders requirement (the "Surplus Restoration Plan"); and

WHEREAS, in the absence of a successful Surplus Restoration Plan, the Company is expected to continue to report a significant policyholders' deficit; and

WHEREAS, a successful Surplus Restoration Plan is likely to result in a better overall recovery for the policyholders of the Company than what may be expected to be achieved in a rehabilitation or liquidation; and

WHEREAS, the Company has provided assurances that it will act in good faith to expeditiously complete the Surplus Restoration Plan; and

WHEREAS, the Department has reviewed the Letter and the proposed plan to eliminate the impairment.

NOW, THEREFORE, it is hereby **ORDERED** as follows:

1. The Company shall provide to the Superintendent a detailed and final plan of the proposed Surplus Restoration Plan (the "Final Plan") no later than January 5, 2010. In the event that the Superintendent is not provided with the Final Plan by such date, he shall seek an order of rehabilitation or liquidation of the Company forthwith.

2. Without limiting in any way the Superintendent's ability to seek rehabilitation or liquidation of the Company prior to such date, the Company shall take such steps as may be necessary to remove the impairment of its capital and to return to

compliance with its minimum surplus to policyholders' requirement by not later than March 25, 2010, or such subsequent date as the Superintendent deems appropriate.

3. Until the Company achieves compliance with paragraph 2 of this Order, the Company shall not write any new policies, and as of November 24, 2009, shall suspend paying any and all claims and otherwise shall operate only in the ordinary course and as necessary to effectuate the Surplus Restoration Plan.

Dated: New York, New York
November 24, 2009

JAMES J. WRYNN
Superintendent of Insurance

By: ______________________
Michael Moriarty
Deputy Superintendent of Insurance

STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, N.Y. 10004

In the Matter of

FINANCIAL GUARANTY INSURANCE COMPANY

SUPPLEMENTAL ORDER PURSUANT TO INSURANCE LAW § 1310

WHEREAS, the New York State Insurance Department (the "Department") issued an Order pursuant to Section 1310 of the New York Insurance Law (the "Insurance Law") in the Matter of Financial Guaranty Insurance Company (the "Company") on November 24, 2009 (the "Order"); and

WHEREAS, based on confidential proprietary information constituting trade secrets provided by the Company to the Department, the Superintendent has determined that it is appropriate to provide additional time within which the Company shall take such steps as may be necessary to remove the impairment to its capital and return to compliance with its minimum surplus to policyholders requirement.

NOW THEREFORE, it is hereby **ORDERED** as follows:

1. The date of March 25, 2010 set forth in Paragraph 2 of the Order is hereby replaced with the date June 15, 2010.

2. Without limiting in any way the Superintendent's ability to seek rehabilitation or liquidation of the Company prior to such date, the Company shall take the steps necessary to remove the impairment of its capital and to return to compliance with its minimum surplus to policyholders' requirement by not later than June 15, 2010.

3. Except as provided herein, all other provisions of the Order shall remain in force.

Dated: New York, New York
March 25, 2010

James J. Wrynn
Superintendent of Insurance

By: Michael Moriarty /MC
Michael Moriarty
Deputy Superintendent of Insurance

Exhibit E

Certificate

FINANCIAL GUARANTY INSURANCE COMPANY

CERTIFICATE OF THE SECRETARY

I, Carolanne Gardner, Secretary of FINANCIAL GUARANTY INSURANCE COMPANY ("**FGIC**"), a corporation duly organized and existing under the laws of the state of New York, hereby CERTIFY that the following is a true copy of a certain preamble and resolutions adopted by unanimous vote of all members of the Board of Directors of FGIC at a meeting held on June 8, 2012 in accordance with the requirements of applicable law and the constitutive documents of FGIC, and that such preamble and resolutions have not been modified or rescinded and are still in full force and effect as of the current date:

WHEREAS, since the fourth quarter of 2007, FGIC has incurred significant losses on its policies relating to certain residential mortgage-backed securities ("**RMBS**") and to certain collateralized debt obligations of asset-backed securities backed primarily by subprime RMBS, which have resulted in a substantial reduction of FGIC's statutory policyholders' surplus over time; and

WHEREAS, FGIC voluntarily ceased writing financial guaranty policies concerning new or additional risks in January 2008; and

WHEREAS, on November 24, 2009, the New York State Insurance Department ("**NYID**"), the predecessor to the New York State Department of Financial Services ("**NYSDFS**"), issued an order pursuant to Section 1310 of the New York Insurance Law ("**NYIL**") requiring FGIC, effective that day, to suspend paying any and all claims and prohibiting FGIC from writing any new policies (as supplemented on March 25, 2010, the "**1310 Order**"). Accordingly, FGIC immediately suspended all claims payments. The 1310 Order also directed FGIC to submit a plan to New York's Superintendent of Insurance, the predecessor to the Superintendent of Financial Services of the State of New York (the "**Superintendent**"),[1] to eliminate the impairment of FGIC's policyholders' surplus by January 5, 2010, and to take such steps as may be necessary to remove the impairment of its capital and to return to compliance with its minimum policyholders' surplus requirement by no later than June 15, 2010, or such subsequent date as the Superintendent deems appropriate; and

WHEREAS, FGIC formulated a comprehensive restructuring plan to fulfill the requirements set forth in the 1310 Order, remove its capital impairment and return FGIC to compliance with the applicable minimum policyholders' surplus requirement. FGIC submitted an initial proposed plan to the Superintendent on December 22, 2009 and subsequently submitted an amended and restated plan to eliminate the impairment of its policyholders' surplus (as so amended and restated, the "**FGIC Surplus Restoration Plan**"). On March 25, 2010, the NYID

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[1] On October 3, 2011, the NYID and the New York State Banking Department merged to become the NYSDFS. All references herein to the Superintendent shall refer to the Superintendent of Insurance if the time period at issue is before October 3, 2011, and shall otherwise refer to the Superintendent of Financial Services of the State of New York.

acknowledged FGIC's submission of the FGIC Surplus Restoration Plan and informed FGIC that FGIC was in compliance with paragraph 1 of the 1310 Order; and

WHEREAS, FGIC's efforts to eliminate the impairment of its policyholders' surplus pursuant to the FGIC Surplus Restoration Plan were ultimately unsuccessful; and

WHEREAS, FGIC is in a policyholders' surplus deficit position of approximately $3.7 billion as of March 31, 2012, and such deficit has not improved since that time; and

WHEREAS, FGIC understands that the Superintendent intends to commence a rehabilitation proceeding for FGIC (the "**Rehabilitation Proceeding**") and propose a plan of rehabilitation in an effort to best provide fair and equitable treatment of FGIC's policyholders and other creditors; and

WHEREAS, the Superintendent has requested that the Board of Directors of FGIC consent to and authorize the matters set forth in the resolutions below; and

WHEREAS, in light of FGIC's financial position, the failure of efforts to date to return FGIC to compliance with applicable statutory surplus requirements, the unlikelihood that further efforts in this regard will succeed outside of the context of a proceeding under Article 74 of the NYIL, the Superintendent's request, and the discussions with and advice provided by FGIC's financial advisors and outside counsel, the Board has determined that consenting to and authorizing such matters is in the best interest of policyholders and other creditors of FGIC.

NOW, THEREFORE, BE IT:

RESOLVED, that FGIC hereby consents to the entry of a rehabilitation order appointing the Superintendent as Rehabilitator of FGIC, and to the resulting commencement and prosecution of the Rehabilitation Proceeding; and it is further

RESOLVED, that, should the Superintendent at any time in the future determine that a rehabilitation of FGIC would be futile or that a liquidation of FGIC would otherwise be superior for FGIC's policyholders to a rehabilitation, FGIC hereby consents to the entry of a liquidation order appointing the Superintendent as Liquidator of FGIC, and to the resulting commencement and prosecution of a liquidation proceeding; and it is further

RESOLVED, that FGIC hereby consents to said proceedings being brought in the Supreme Court of the State of New York, County of New York; and it is further

RESOLVED, that the Secretary of FGIC is authorized to certify these resolutions; and it is further

RESOLVED, that the Chief Executive Officer be, and hereby is, authorized and directed to execute and deliver to the Superintendent such further documents or certifications as may be necessary or desirable to carry out the purposes and intent of the foregoing resolutions.

IN WITNESS WHEREOF, I have set my hand this 8th day of June, 2012.

____
Carolanne Gardner
Secretary