

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

In the Matter of the Rehabilitation of)	
FINANCIAL GUARANTY INSURANCE)	Index No. 401265/2012
COMPANY)	Doris Ling – Cohan, J.
)	
)	Motion Seq. No. 004

OBJECTION OF CQS ABS MASTER FUND LTD., CQS SELECT ABS MASTER FUND LTD. AND CQS ABS ALPHA MASTER FUND LTD. TO PLAN OF REHABILITATION FOR FINANCIAL GUARANTY INSURANCE COMPANY

CQS ABS Master Fund Ltd., CQS Select ABS Master Fund Ltd. and CQS ABS Alpha Master Fund Ltd. (collectively “CQS”), holders of insurance policies issued by Financial Guaranty Insurance Company (“FGIC”), hereby file this Objection to the Plan of Rehabilitation for FGIC (the “Plan”) proposed by Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York (the “Superintendent”), as the court-appointed rehabilitator (the “Rehabilitator”) of FGIC in the above-captioned rehabilitation proceeding, and respectfully submit as follows:

PRELIMINARY STATEMENT

CQS objects to two material provisions of the Plan that render it unfair and inequitable to FGIC’s policyholders. First, the Plan allows FGIC to regain the right to excess cash flows produced from the underlying securities it has insured – a right only meant for an insurer that is current on payments under its policies – despite the fact, under the Plan, FGIC proposes to pay its bondholders an amount as low as 15% of their policy claims. For many bonds insured by FGIC, the excess cash flows from the underlying securities, on a net present value basis, exceed the value of FGIC’s proposed payments under the Plan. Thus, with respect to these bonds, the Plan provides less value to bondholders than either the status quo or a liquidation of FGIC and

operates to essentially redistribute cash from those bondholders whose underlying securities are producing excess cash to those bondholders whose underlying securities are not. Second, the Plan proposes to terminate FGIC's unilateral right under a reinsurance agreement with National Public, an affiliate of MBIA, to (a) "reassume" \$138 billion of U.S. municipal bond policies that FGIC ceded to National Public in 2008 and (b) obtain approximately \$500 million in cash from National Public (in the form of related net unearned premiums and any ceded loss reserves on the policies). These municipal bond policies are good assets. Indeed, based on National Public's most recent claim reserve disclosure, National Public is likely reserving less than \$100 million for future claims on these policies. Thus, the Plan is terminating a right that could provide FGIC's stakeholders with more than \$400 million in excess cash. In exchange, FGIC appears to be receiving little or no consideration. Based on the facts currently in the public record, the Plan's termination of FGIC's "reassumption" right will not maximize value for the benefit of FGIC's policyholders and should not be approved.

I. THE PLAN IS NEITHER FAIR NOR EQUITABLE AND BENEFITS CERTAIN POLICYHOLDERS AT THE EXPENSE OF OTHERS

1. Under the Plan, FGIC's policyholders are scheduled to receive an upfront cash payment that the Rehabilitator estimates will equate to 15% of each policyholder's claims (defined in the Plan as the "CPP") while the remaining payment obligation with respect to the policy will be treated as a deferred payment obligation ("DPO"), which will be payable only if, when and to the extent FGIC determines, in consultation with a third-party firm and with NYSDFS approval, that it has sufficient assets to make such cash payment.¹

2. By making these payments, FGIC wishes to effectively be declared current on its policies and, as a result, receive all of the benefits of a contractually current monoline insurer.

¹ See Plan, Exhibit D (Disclosure Statement) at 21.

Such rights include voting rights with respect to its insured securities and, most importantly, the right to loss reimbursement, including any excess cash flow from its insured policies. Currently, as a result of FGIC's ongoing default and non-payment on its policies, FGIC's policyholders receive such excess cash flow and enjoy the right to vote such securities.

3. There are several problems with such an approach. First, it is unfair and inequitable to pay as little as 15% of your overdue policy claims (leaving policyholders to cope with large losses), declare yourself current, and then take the cash stream currently going to such policyholders (i.e., the excess spread) when, in fact, you are still greatly behind in your payment obligations. Second, certain deal mechanics protect some insured bondholders more than others. Thus, FGIC will essentially take cash from certain bondholders and redistribute it to others. Lastly, on a present value basis, for certain transactions, the 15% CPP has less value to bondholders than the value of the excess spread such bondholders currently receive from the insured securities.² Moreover, because the DPO is completely at the discretion of the Superintendent and may not be paid, the Plan will allow FGIC to collect the excess spread while bondholders will be at the mercy of the Superintendent for receiving DPO payments. In effect, many bondholders would be worse off under the Plan than under either the status quo or a liquidation of FGIC.

4. The basic tenets of the Plan were previously proposed to FGIC policyholders and, not surprisingly, were rejected by a majority of such policyholders. Specifically, in March 2010, FGIC attempted a plan called Sharpes,³ whereby FGIC attempted to pay an upfront (and much larger) "Cash Consent Fee" and a "Surplus Note" in exchange for eliminating FGIC's insurance obligations and FGIC retaining its rights, including its voting right and reimbursement right to

² CQS requests that FGIC, for the benefit of its policyholders, disclose the initial CPP for each insured security and what the cash flow implications for such securities.

³ The terms of the Sharpes deal are attached as Appendix A.

excess spread recapture. CQS understands that this plan was rejected by bondholders in large part because, many of the bonds were better off, on a present value basis, with the excess spread rather than the cash payment.⁴ Now, two years after the failure of the Sharpe's Plan, FGIC has changed the description of the plan terms from "Cash Consideration" and "Surplus Note" to "CPP" and "DPO," but still wants the same plan approved that would reinstate its voting rights and reimbursement rights for a relatively small cash payment and a questionable deferred obligation. As in 2010, this is not the deal that policyholders want.

5. To be clear, the concept of an upfront cash payment (i.e., the CPP) and a deferred payment obligation (i.e. the DPO) are acceptable. However, there is nothing fair or equitable with allowing FGIC to regain reimbursement rights – rights meant only for insurers who have paid all outstanding claims on such policies – while its policyholders are left with unpaid and overdue claims and without the benefit of excess cashflows on the insured securities.

6. Rather, a fair and equitable outcome would allow FGIC's bondholders to obtain the CPP and the DPO while continuing to receive the excess spread on the insured securities they own. Once FGIC has made all past claim payments on such policies (and thus is current), it should then begin to receive reimbursement via the excess spread.

II. THE PLAN ELIMINATES A VALUABLE ASSET OF FGIC FOR NO CONSIDERATION TO THE DETRIMENT OF ALL FGIC'S STAKEHOLDERS

7. The Plan calls for FGIC to terminate its right to "resassure" certain reinsured policies from National Public. As explained below, however, if FGIC were to retain and exercise this right, it would obtain approximately \$500 million in cash for policies that, based on National Public's latest municipal bond reserve projections (which have been sanctioned by the

⁴ See FGIC's press release dated October 1, 2010, attached as Appendix B (describing that Sharpe's Plan was approved by only 43.2% of bondholders as of September 30, 2010).

Superintendent), will require less than \$100 million in cash to pay future losses.⁵ As the right to “resassumed” such policies is a valuable asset of FGIC that would materially benefit all policyholders, the Plan cannot be confirmed based on the information currently in the public record. Rather, further analysis should be provided to FGIC’s stakeholders before this asset is so discarded for no apparent value.

8. By way of background, in September 2008, FGIC entered into an agreement (the “Reinsurance Agreement”) with MBIA, pursuant to which FGIC ceded to MBIA exposure under policies covering U.S. public finance credits with total net par in force of approximately \$188 billion, of which \$138 billion remained outstanding as of December 31, 2011 (collectively, the “National Public Reinsured Policies”). Shortly thereafter, National Public, an affiliate of MBIA, replaced MBIA as the party to such transaction and assumed MBIA’s obligations thereunder (the “National Public Reinsurance Transaction”). Section 15(v) of the Reinsurance Agreement⁶ provides that FGIC retains the right, in its sole discretion, to terminate the National Public Reinsurance Transaction and “reassume” the rights and obligations under the National Public Reinsured Policies back from National Public, and to receive the related net unearned premiums and any ceded loss reserves as of such date (the “FGIC Reassumption Right”), upon the occurrence of certain events, including if National Public’s credit rating is downgraded below (i) BBB- (as measured by Standard & Poor’s Financial Services LLC (“S&P”)) or (ii) Baa3 (as measured by Moody’s Investors Services, Inc. (“Moody’s”)).

9. National Public is currently rated BBB by S&P and Baa2 (outlook negative) by Moody’s, and thus the slightest downgrade could trigger FGIC’s ability to exercise the FGIC

⁵ See Section V, paragraph (C)(1) of the Disclosure Statement (entitled “Significant Post-Filing Actions: the Novation of National Public Reinsured Policies”).

⁶ The September 30, 2008 Reinsurance Agreement is attached as Appendix C.

Reassumption Right. In addition to the multiple ongoing legal cases challenging MBIA's restructuring in 2009 that created and funded National Public, several recent developments at MBIA could lead to a downgrade of National Public which would provide an opportunity for FGIC policyholders to recoup this value in the near future. These developments include a diminishing cash position at MBIA Corp., an affiliate of National Public, and MBIA's recent consent solicitation to entice bondholders of MBIA Inc., National Public's parent, to amend a provision of the indentures governing the MBIA Inc. bonds, which provides that if MBIA Corp. were to go into receivership, MBIA Inc. would be in default under such bonds. Bank of America, however, has since announced a tender offer to purchase many of these bonds at a premium in an attempt to defeat this consent solicitation.⁷ MBIA has warned that if the consent solicitation fails, MBIA Inc. may be forced to file a chapter 11 bankruptcy case in the event MBIA Corp. goes into receivership.⁸ Moreover, National Public has a \$1.6 billion loan outstanding to MBIA Corp. and MBIA has warned that repayment of such loan could be jeopardized if MBIA Corp. were to go into receivership.⁹ Accordingly, with all the litigation and potential pitfalls surrounding MBIA and National Public, National Public could very well be downgraded below the investment grade level in the near future, which would provide an opportunity for FGIC to exercise its Reassumption Right.

10. Moreover, the municipal assets that FGIC would acquire upon exercise of the Reassumption Right are of high quality. In fact, according to its National Public's Q3 2012

⁷ See Offer to Purchase by Bank of America Corporation dated November 13, 2012 (attached as Appendix D).

⁸ MBIA Inc. Consent Solicitation Statement dated November 7, 2012 (attached as Appendix E), at 10 ("The Company believes the Proposed Amendments will be beneficial to the Company and its creditors, including Holders of the Notes, because they will remove the possibility of a Subsidiary Insolvency Default in the event that MBIA Corp. is placed into rehabilitation or liquidation proceedings, the result of which could be a Company [MBIA Inc.] Bankruptcy.")

⁹ MBIA Inc. Consent Solicitation Statement dated November 7, 2012, at 11 ("Additionally, a significant part of the value of National is made up of intercompany receivables, including a \$1.6 billion secured loan to MBIA Corp. that may be impaired in the event that MBIA Corp. is in a rehabilitation or liquidation proceeding. . . .").

Operating Supplement,¹⁰ National Public has established loss reserves of approximately \$165 million on \$356 billion of outstanding bonds. Assuming such loss reserves are spread evenly among the insured bonds, National Public would have established loss reserves of approximately \$64 million on the remaining \$138 billion of FGIC municipal bonds it has reinsured. Subtracting this \$64 million loss reserve from the approximately \$500 million¹¹ in capital would provide approximately \$435 million of value for FGIC's policyholders.

11. Further, if the Superintendent has proposed terminating the Reassumption Right because he is concerned about the municipal policyholders under the reassumed policies being exposed to FGIC's structured-finance obligations, such municipal bondholders can be put in a subsidiary of FGIC like the "drop-down" or "stacked" company that was created for municipal bondholders in Syncora. In this manner, the municipal bondholders can be protected by the established loss reserves while the structured finance bondholders would gain the benefit of the excess reserves on the municipal business. Alternatively, FGIC could reach out to other monolines to see if they would be willing to purchase FGIC's call option.¹²

12. In sum, the Reassumption Right is a call option with enormous value. To give this option away for free is clearly not in the best interest of any FGIC policyholder. Accordingly, CQS submits that the Rehabilitator should provide policyholders with a detailed analysis¹³ of the value of the municipal bonds under the Reassumption Right that illustrates the

¹⁰ National Public's Q3 2012 Operating Supplement is attached as Appendix F.

¹¹ \$500 million is an estimate based on the amortization of the bonds, as MBIA received \$639 million for reinsuring FGIC's municipal business in 2008. See MBIA's press release of October 1, 2008, which is attached as Appendix G. The Rehabilitator should disclose the exact number.

¹² Given the litigation and risks to National Public described above, one is hard pressed to see how these municipal bondholders would not be better off at a FGIC municipal "drop down" company or at a more highly-rated monoline than National Public.

¹³ On October 9, 2012 the Steering Committee conducted a conference call for the benefit of all structured finance policyholders. On that call the objection to Novation of the National Public Reinsured Policies was raised and it

current balance outstanding and the loss reserves associated with the policies.¹⁴ If the Rehabilitator fails to do so or such analysis confirms that FGIC is indeed forgoing substantial value in terminating the Reassumption Right, the Plan should be denied.¹⁵

RESERVATION OF RIGHTS

CQS expressly reserves all of its rights to object to supplement this Objection, to object to the Plan at the Plan Approval Hearing on any further grounds, take discovery regarding the Plan, and cross-examine any witnesses at the Plan Approval Hearing.

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was decided that FGIC's financial advisors would provide a cost benefit analysis of the reinsured municipal business. As of the date of this Objection, that information has not been provided.

¹⁴ Any attempts by the Superintendent to use a greater "stress" analysis for the municipal bonds in respect of FGIC than it has sanctioned for National Public should be discounted. The Superintendent by virtue of signing off on National Public's Q3 2012 statutory numbers has already consented to the loss reserves for this municipal portfolio.

¹⁵ Further, CQS requests that the Superintendent reveal the bids from the 2008 sale of FGIC's municipal business to allow policyholders to gauge interest in such business. CQS understands National Public may not have submitted the highest bid for this business.

CONCLUSION

WHEREFORE, for the foregoing reasons, CQS requests that the Court (1) deny approval of the Plan absent the modification requested herein and (2) grant such other relief which it deems proper.

Dated: November 19, 2012
New York, New York

Respectfully submitted,

By:  _____

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Appendix A

Sharps SP I LLC

Offeror and Depositor

Supplement No. 4 to

Offer to Exchange (dated March 25, 2010) (as amended)**Trust Certificates and a Cash Payment****for any and all Outstanding****Residential Mortgage-Backed Securities and Asset-Backed Securities Listed in Schedule A,****each of which is Guaranteed by Financial Guaranty Insurance Company**

This Supplement No. 4 (this "Supplement"), dated June 8, 2010, relates to the offer to exchange UCF Certificates and a Consent Fee for residential mortgage-backed securities and asset-backed securities insured by Financial Guaranty Insurance Company ("FGIC") dated March 25, 2010 by Sharps SP I LLC, as amended by that certain Supplement No. 1 to Offer to Exchange dated April 14, 2010, that certain Supplement No. 2 to Offer to Exchange dated May 14, 2010, and that certain Supplement No. 3 to Offer to Exchange dated May 28, 2010 (such Offer to Exchange as amended being the "Offer to Exchange"). The information in this Supplement supplements and becomes part of, as of the date hereof, the Offer to Exchange. The information in the Offer to Exchange will be deemed modified or superseded by the information contained in this Supplement to the extent that any statement or information contained in this Supplement modifies or replaces such statement or information. Capitalized terms used in this Supplement and not otherwise defined herein have the meanings ascribed to them in the Offer to Exchange. The financial information included in this Supplement is presented on a SAP basis, unless otherwise noted.

Surplus Notes as New Offer Consideration

This Supplement contains the following information related to a new offering of 4% Surplus Notes due June 30, 2025 to be issued by FGIC (collectively, the "Consideration Surplus Notes" and individually, a "Consideration Surplus Note") in a par amount equal to the applicable Cash Consent Fee (as defined below) as additional consideration to participating Holders in the Offer:

- an amended Schedule A that identifies the Eligible Insured Securities subject to the Offer, and includes the principal amount of the Consideration Surplus Notes as part of the consideration with respect to each class of Eligible Insured Securities,
- the extension of the Expiration Date to 11:59 p.m., New York City Time, on June 21, 2010,
- for purposes of clarifying the amount of cash consideration to be paid to participating Holders in the Offer, the term Consent Fee in the Offer to Exchange will be amended in all cases to the term "Cash Consent Fee",
- a description of the Consideration Surplus Notes and related risk factors, including supplemental disclosure regarding anticipated material U.S. federal income tax consequences of the purchase, ownership and disposition of the Consideration Surplus Notes and certain ERISA considerations,
- resulting changes to the terms of the Offer and the mechanics for delivery of the Consideration Surplus Notes,
- resulting changes to the pro forma financial information, and
- a new Annex G containing the form of Consideration Surplus Note.

Holders that validly tender their Eligible Insured Securities prior to the Expiration Date (including Holders who have previously tendered Eligible Insured Securities prior to the date of this Supplement) will be entitled to receive Consideration Surplus Notes in addition to the related UCF Certificate and Cash Consent Fee (as set forth in Schedule A, as amended and restated in this Supplement) upon acceptance of such Eligible Insured Securities. Payment of the applicable Cash Consent Fee, together with the delivery of any UCF Certificates and the Consideration Surplus Notes for the Eligible Insured Securities validly tendered and accepted for payment, is expected to be made on the Settlement Date. The Offer is conditioned upon the conditions originally set forth in the Offer to Exchange, as amended and supplemented, as well as FGIC's issuance of such Consideration Surplus Notes to the Offeror, which issuance is subject to the same conditions as the financing to be provided by FGIC to the Offeror in connection with the Offer. See "Description of the Consideration Surplus Notes and the Fiscal Agency Agreement" in the Offer to Exchange, as amended and supplemented by this Supplement.

You are not eligible to receive or review this Supplement or participate in the Offer unless (A) you have previously delivered to the Exchange and Information Agent a completed certification letter in the form provided and (B) you meet the qualifications described herein. The Offer is only being made to persons who (1) are "qualified institutional buyers" as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), (2) are "qualified purchasers" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "Investment Company Act") and (3) meet the other restrictions described herein. The UCF Certificates and the Consideration Surplus Notes have not been and will not be registered under the Securities Act or any other applicable law of the United States and will be subject to certain restrictions on transfer.

Neither the Offer to Exchange nor any of the documents related to the Offer have been filed with or reviewed by any federal or state securities commission or regulatory authority of any country, nor has any such commission or authority passed upon the accuracy or adequacy of the Offer to Exchange or any of the documents related to the Offer. Any representation to the contrary is unlawful and may be a criminal offense.

The Dealer Manager for the Offer is:

Deutsche Bank Securities

Dated: June 8, 2010.

The following information supplements and updates the information contained in certain sections of the Offer to Exchange, and should be read in conjunction with the Offer to Exchange, as amended and supplemented by this Supplement, including without limitation, the forward-looking statements and risk factors contained therein and the Consideration Surplus Notes. Any statement in this Supplement shall supersede or modify any related statement in the Offer to Exchange.

SCHEDULE A

RMBS AND ABS SUBJECT TO THE OFFER

Schedule A to the Offer to Exchange is amended and restated in its entirety to include the principal amount of Consideration Surplus Notes indicated below for each class of Eligible Insured Securities as a new component of the consideration for each such class validly tendered prior to the Expiration Date (including any classes of Eligible Insured Securities tendered prior to the date of this Supplement) upon acceptance of such class as follows:

Holders can determine the approximate amount of the Cash Consent Fee and the approximate principal amount of the Consideration Surplus Notes they can expect to receive by multiplying the percentage listed under the "Cash Consent Fee" or "Consideration Surplus Notes" column below, as applicable, by:

- o the Unpaid Principal Balance of their Eligible Insured Security as of February 28, 2010 for tenders on or prior to the Early Consideration Date; or
- o the Unpaid Principal Balance of their Eligible Insured Security as of April 30, 2010 for tenders after the Early Consideration Date but on or prior to the Expiration Date.

The unpaid principal balance disclosed below in the column "Unpaid principal balance as of April 30, 2010" can only be used to approximate the amount of the Cash Consent Fee and the principal amount of the Consideration Surplus Notes in the case of the second bullet above, and is therefore provided for information purposes only, because, as noted in the footnote below, the information provided may differ from that reflected in the applicable trustee or servicer's report and only the information in such report will be used in the calculation of such amounts.

For tenders on or prior to the Early Consideration Date, Holders may reference the column "Unpaid principal balance as of Feb 28, 2010" in Schedule A of the Offer to Exchange to approximate the amount of the Cash Consent Fee and the principal amount of the Consideration Surplus Notes they can expect to receive.

CUSIP	Deal / Tranche	Issuer	Original Face Amount	Unpaid principal balance as of April 30, 2010 ²	Total Consideration ¹	
					Cash Consent Fee ³	Consideration Surplus Notes ³
00105HDZ6	AFC 1999-2 1A	AFC Home Equity Loan Trust	\$375,000,000	\$21,408,745	3.5%	3.5%
00105HEA0	AFC 1999-2 2A	AFC Home Equity Loan Trust	325,000,000	15,081,106	7.5%	7.5%
00105HEC6	AFC 1999-3 2A	AFC Home Equity Loan Trust	200,000,000	9,633,980	7.5%	7.5%
00105HED4	AFC 1999-4 1A	AFC Home Equity Loan Trust	350,000,000	27,113,390	5.5%	5.5%
00105HEE2	AFC 1999-4 2A	AFC Home Equity Loan Trust	250,000,000	14,402,749	7.5%	7.5%
00105HEH5	AFC 2000-1 2A	AFC Home Equity Loan Trust	139,000,000	9,516,811	9.0%	9.0%

¹ The Cash Consent Fee and the Consideration Surplus Notes together constitute the total consideration in addition to the UCF Certificates to be received by Holders.

² The unpaid principal balances disclosed here have been obtained from Bloomberg L.P. No assurance can be given that the foregoing information is complete or correct in all material respects. The foregoing information will not be updated during the course of the Offer. Parties who wish to obtain updated unpaid principal balance information should contact the relevant trustee for the Eligible Insured Securities.

³ Stated as a percentage of unpaid principal balance of the related class of Eligible Insured Securities.

CUSIP	Deal / Tranche	Issuer	Original Face Amount	Unpaid principal balance as of April 30, 2010 ²	Total Consideration ¹	
					Cash Consent Fee ³	Consideration Surplus Notes ³
02660TGR8	AHM 2005-4 2A	American Home Mortgage Investment Trust	197,333,000	46,443,433	3.0%	3.0%
040104MY4	ARSI 2005-W1 A2	Argent Securities Inc	1,232,988,000	242,791,473	3.0%	3.0%
0738794J4	BSABS 2005-AC9 A5	Bear Stearns Asset Backed Securities Trust	75,000,000	39,196,109	2.0%	2.0%
07387UCF6	BSABS 2006-AC1 1A2	Bear Stearns Asset Backed Securities Trust	75,000,000	39,545,778	2.5%	2.5%
07387LAA9	BSABS 2007-SD3 A	Bear Stearns Asset Backed Securities Trust	417,699,000	248,004,429	2.0%	2.0%
126673VE9	CWHEL 2004-U 2A	Countrywide Home Equity Loan Trust	455,000,000	54,390,422	2.0%	2.0%
126685AB2	CWHEL 2005-B 2A	Countrywide Home Equity Loan Trust	1,042,476,000	133,773,181	2.0%	2.0%
126686AB0	CWHEL 2006-H 2A1A	Countrywide Home Equity Loan Trust	1,320,000,000	544,071,280	9.5%	9.5%
126686AC8	CWHEL 2006-H 2A1B	Countrywide Home Equity Loan Trust	500,000,000	206,087,606	7.5%	7.5%
12670CAA5	CWHEL 2007-C A	Countrywide Home Equity Loan Trust	950,000,000	437,929,020	10.0%	10.0%
126685DW3	CWL 2006-S2 A2	Countrywide Asset-Backed Certificates	112,692,000	72,827,362	6.0%	6.0%
126685DX1	CWL 2006-S2 A3	Countrywide Asset-Backed Certificates	258,112,000	209,634,057	8.5%	8.5%
126685DY9	CWL 2006-S2 A4	Countrywide Asset-Backed Certificates	49,196,000	39,956,132	8.0%	8.0%
126685DZ6	CWL 2006-S2 A5	Countrywide Asset-Backed Certificates	105,000,000	80,846,343	8.0%	8.0%
23242MAA9	CWL 2006-S3 A1	Countrywide Asset-Backed Certificates	539,257,000	60,216,838	7.5%	7.5%
23242MAB7	CWL 2006-S3 A2	Countrywide Asset-Backed Certificates	182,278,000	141,272,291	8.5%	8.5%
23242MAC5	CWL 2006-S3 A3	Countrywide Asset-Backed Certificates	73,715,000	57,131,892	10.0%	10.0%
23242MAD3	CWL 2006-S3 A4	Countrywide Asset-Backed Certificates	104,750,000	81,185,181	9.0%	9.0%
23242MAE1	CWL 2006-S3 A5	Countrywide Asset-Backed Certificates	100,000,000	75,036,899	10.0%	10.0%
126683AA9	CWL 2006-S5 A1	Countrywide Asset-Backed Certificates	374,864,000	12,279,335	6.0%	6.0%
126683AB7	CWL 2006-S5 A2	Countrywide Asset-Backed Certificates	106,200,000	77,299,800	10.0%	10.0%
126683AC5	CWL 2006-S5 A3	Countrywide Asset-Backed Certificates	181,818,000	132,339,877	12.5%	12.5%
126683AD3	CWL 2006-S5 A4	Countrywide Asset-Backed Certificates	69,023,000	50,239,775	10.5%	10.5%
126683AE1	CWL 2006-S5 A5	Countrywide Asset-Backed Certificates	78,095,000	56,843,012	12.5%	12.5%
126683AF8	CWL 2006-S5 A6	Countrywide Asset-Backed Certificates	90,000,000	64,210,685	12.5%	12.5%
361856ED5	GMACM 2005-HE1 A1VN	GMAC Mortgage Corp Loan Trust	28,762,000	20,429,174	2.0%	2.0%
361856EB9	GMACM 2005-HE1 A2	GMAC Mortgage Corp Loan Trust	290,100,000	190,491,420	2.0%	2.0%
361856EC7	GMACM 2005-HE1 A3	GMAC Mortgage Corp Loan Trust	248,425,000	163,125,925	2.0%	2.0%
361856ER4	GMACM 2006-HE1 A	GMAC Mortgage Corp Loan Trust	1,274,156,000	783,996,254	6.0%	6.0%
38011AAB0	GMACM 2006-HE2 A2	GMAC Mortgage Corp Loan Trust	28,500,000	24,531,599	10.5%	10.5%
38011AAC8	GMACM 2006-HE2 A3	GMAC Mortgage Corp Loan Trust	145,000,000	138,203,087	3.0%	3.0%
38012TAB8	GMACM 2006-HE3 A2	GMAC Mortgage Corp Loan Trust	160,700,000	91,938,743	10.0%	10.0%
36186LAA1	GMACM 2007-HE2 A1	GMAC Mortgage Corp Loan Trust	488,845,000	37,105,321	12.0%	12.0%
36186LAB9	GMACM 2007-HE2 A2	GMAC Mortgage Corp Loan Trust	170,818,000	153,221,233	6.0%	6.0%
36186LAC7	GMACM 2007-HE2 A3	GMAC Mortgage Corp Loan Trust	219,526,000	196,911,592	3.0%	3.0%
36186LAG8	GMACM 2007-HE2 A6	GMAC Mortgage Corp Loan Trust	124,088,000	111,305,110	3.5%	3.5%
225470W58	HEMT 2006-2 2A1	Home Equity Mortgage Trust	240,000,000	73,342,800	8.5%	8.5%
422777AN2	HMFFT 2005-2A NOTE	Hedged Mutual Fund Fee Trust	256,000,000	112,794,982	6.0%	6.0%
45254NMA2	IMM 2004-11 1A2	Impac CMB Trust	178,348,000	26,013,811	3.0%	3.0%
456606MZ2	INABS 2006-H1 A	Indymac Residential Asset Backed Trust	490,253,000	137,443,589	10.0%	10.0%
437089AB1	INDS 2006-1 A2	Indymac Seconds Asset Backed Trust	26,467,000	2,644,216	12.5%	12.5%
437089AC9	INDS 2006-1 A3	Indymac Seconds Asset Backed Trust	39,672,000	39,672,000	12.0%	12.0%
437089AD7	INDS 2006-1 A4	Indymac Seconds Asset Backed Trust	25,131,000	25,131,000	10.0%	10.0%
437089AE5	INDS 2006-1 A5	Indymac Seconds Asset Backed Trust	29,701,000	24,765,149	12.0%	12.0%
43709KAA7	INDS 2006-2B A	Indymac Seconds Asset Backed Trust	585,242,000	175,239,355	12.0%	12.0%
456606HF2	INDYL 2005-L1 A	Indymac Loan Trust	242,000,000	38,880,893	9.0%	9.0%
456606HK1	INDYL 2005-L2 A1	Indymac Loan Trust	95,000,000	22,917,948	10.0%	10.0%
456606HL9	INDYL 2005-L2 A2	Indymac Loan Trust	147,125,000	35,492,664	9.0%	9.0%
456606JY9	INDYL 2005-L3 A	Indymac Loan Trust	243,500,000	67,879,863	11.0%	11.0%
45661FAB7	INDYL 2006-L2 A2	Indymac Loan Trust	67,559,000	47,459,013	10.0%	10.0%
45661FAC5	INDYL 2006-L2 A3	Indymac Loan Trust	28,105,000	28,105,000	12.5%	12.5%

CUSIP	Deal / Tranche	Issuer	Original Face Amount	Unpaid principal balance as of April 30, 2010 ²	Total Consideration ¹	
					Cash Consent Fee ³	Consideration Surplus Notes ³
46412QAD9	IRWHE 2006-2 2A3	Irwin Home Equity Corp	35,771,000	35,771,000	8.0%	8.0%
48122CAB1	JRMT 2004-1A A2	JPMorgan RV Marine Trust	32,170,000	14,036,444	3.0%	3.0%
57643LLD6	MABS 2005-AB1 A5A	Mastr Asset Backed Securities Trust	50,000,000	50,000,000	3.0%	3.0%
61755EAB4	MSAC 2007-NC4 A2A	Morgan Stanley ABS Capital I	337,200,000	132,909,461	8.0%	8.0%
61755EAC2	MSAC 2007-NC4 A2B	Morgan Stanley ABS Capital I	68,250,000	65,626,253	10.5%	10.5%
61755EAD0	MSAC 2007-NC4 A2C	Morgan Stanley ABS Capital I	165,000,000	158,656,875	11.0%	11.0%
61755EAE8	MSAC 2007-NC4 A2D	Morgan Stanley ABS Capital I	96,775,000	93,054,661	8.5%	8.5%
748351AF0	QUEST 2005-X2 A2	Quest Trust	99,213,000	51,350,402	5.5%	5.5%
748351AR4	QUEST 2006-X1 A2	Quest Trust	95,600,000	81,910,283	6.5%	6.5%
748351AS2	QUEST 2006-X1 A3	Quest Trust	11,365,000	11,365,000	7.5%	7.5%
7609857E5	RAMP 2004-RS7 AI5	Residential Asset Mortgage Products Inc	55,330,000	55,330,000	2.0%	2.0%
76112BR69	RAMP 2005-EFC7 AI3	Residential Asset Mortgage Products Inc	153,510,000	82,712,342	6.0%	6.0%
76112BQ94	RAMP 2005-NC1 AI3	Residential Asset Mortgage Products Inc	138,423,000	84,257,169	6.5%	6.5%
76112BR28	RAMP 2005-NC1 AI4	Residential Asset Mortgage Products Inc	64,343,000	56,705,730	7.5%	7.5%
76112BL73	RAMP 2005-RS9 AI3	Residential Asset Mortgage Products Inc	181,485,000	86,258,853	6.0%	6.0%
76112BL81	RAMP 2005-RS9 AI4	Residential Asset Mortgage Products Inc	156,818,000	137,703,322	9.0%	9.0%
76110WB54	RASC 2004-KS7 A2B3	Residential Asset Securities Corp	33,400,000	25,870,174	3.0%	3.0%
76110WA89	RASC 2004-KS7 AI4	Residential Asset Securities Corp	23,900,000	21,679,992	3.0%	3.0%
76110WA97	RASC 2004-KS7 AI5	Residential Asset Securities Corp	21,200,000	21,200,000	3.0%	3.0%
76110WB21	RASC 2004-KS7 AI6	Residential Asset Securities Corp	17,500,000	14,364,765	3.0%	3.0%
76110WF27	RASC 2004-KS9 AI3	Residential Asset Securities Corp	20,300,000	16,135,206	3.0%	3.0%
76110WF35	RASC 2004-KS9 AI4	Residential Asset Securities Corp	250,000,000	20,169,007	3.0%	3.0%
76110W7Q3	RASC 2005-EMX5 A2	Residential Asset Securities Corp	179,685,000	69,685,750	9.5%	9.5%
76110W7R1	RASC 2005-EMX5 A3	Residential Asset Securities Corp	48,547,000	41,930,838	3.0%	3.0%
74924XAA3	RASC 2007-EMX1 A11	Residential Asset Securities Corp	185,876,000	33,089,997	11.0%	11.0%
74924XAB1	RASC 2007-EMX1 A12	Residential Asset Securities Corp	27,665,000	26,927,973	8.5%	8.5%
74924XAC9	RASC 2007-EMX1 A13	Residential Asset Securities Corp	105,994,000	103,170,201	8.0%	8.0%
74924XAD7	RASC 2007-EMX1 A14	Residential Asset Securities Corp	46,505,000	45,266,055	2.0%	2.0%
76110VRZ3	RFMS2 2005-HS1 AI1	Residential Funding Mortgage Securities II Inc	303,750,000	59,672,145	5.5%	5.5%
76110VSR0	RFMS2 2005-HS2 AI2	Residential Funding Mortgage Securities II Inc	32,900,000	27,443,627	6.0%	6.0%
76110VSS8	RFMS2 2005-HS2 AI3	Residential Funding Mortgage Securities II Inc	40,500,000	40,500,000	3.0%	3.0%
76110VSU3	RFMS2 2005-HS2 AI5	Residential Funding Mortgage Securities II Inc	35,000,000	31,144,148	3.5%	3.5%
76110VSV1	RFMS2 2005-HS2 AI1	Residential Funding Mortgage Securities II Inc	227,812,500	48,247,081	6.5%	6.5%
76110VSX7	RFMS2 2005-HSA1 AI2	Residential Funding Mortgage Securities II Inc	10,530,000	3,056,665	11.0%	11.0%
76110VTA6	RFMS2 2005-HSA1 AI5	Residential Funding Mortgage Securities II Inc	17,790,000	15,631,892	2.0%	2.0%
76110VTB4	RFMS2 2005-HSA1 AI1	Residential Funding Mortgage Securities II Inc	101,478,000	18,470,851	9.5%	9.5%
43718MAB0	RFMS2 2006-HI4 A2	Residential Funding Mortgage Securities II Inc	16,628,000	12,472,246	8.0%	8.0%
43718MAC8	RFMS2 2006-HI4 A3	Residential Funding Mortgage Securities II Inc	61,528,000	61,528,000	4.5%	4.5%
43718VAB0	RFMS2 2006-HI5 A2	Residential Funding Mortgage Securities II Inc	27,806,000	27,345,077	3.0%	3.0%
76110VTD0	RFMS2 2006-HSA1 A2	Residential Funding Mortgage Securities II Inc	42,249,000	27,589,688	12.0%	12.0%
76110VTE8	RFMS2 2006-HSA1 A3	Residential Funding Mortgage Securities II Inc	47,465,000	44,907,142	3.0%	3.0%
76110VTG3	RFMS2 2006-HSA1 A5	Residential Funding Mortgage Securities II Inc	46,144,000	38,462,000	3.0%	3.0%
76110VTN8	RFMS2 2006-HSA2 AI2	Residential Funding Mortgage Securities II Inc	33,249,000	7,225,851	12.0%	12.0%
76110VTP3	RFMS2 2006-HSA2 AI3	Residential Funding Mortgage Securities II Inc	47,862,000	47,862,000	8.0%	8.0%
76110VTQ1	RFMS2 2006-HSA2 AI4	Residential Funding Mortgage Securities II Inc	20,949,000	20,949,000	2.0%	2.0%
76110VTR9	RFMS2 2006-HSA2 AI5	Residential Funding Mortgage Securities II Inc	29,715,000	26,112,508	4.0%	4.0%
76110VTS7	RFMS2 2006-HSA2 AI1	Residential Funding Mortgage Securities II Inc	150,750,000	34,145,749	10.0%	10.0%
76111XZS5	RFMSI 2005-S7 A2	Residential Funding Mortgage Securities I	30,000,000	29,489,000	2.0%	2.0%
84604CAF4	SBHEL 2000-1 A6	Sovereign Bank Home Equity Loan Trust	22,000,000	5,417,066	7.0%	7.0%
881561C77	TMTS 2005-13SL A1A	Terwin Mortgage Trust	284,945,000	51,289,894	8.5%	8.5%
881561C85	TMTS 2005-13SL A1B	Terwin Mortgage Trust	105,390,000	105,390,000	9.0%	9.0%

CUSIP	Deal / Tranche	Issuer	Original Face Amount	Unpaid principal balance as of April 30, 2010 ²	Total Consideration ¹	
					Cash Consent Fee ³	Consideration Surplus Notes ³
881561P24	TMTS 2006-2HGS A1	Terwin Mortgage Trust	392,880,000	77,133,199	2.0%	2.0%
881561P32	TMTS 2006-2HGS A2	Terwin Mortgage Trust	98,220,000	98,220,000	6.0%	6.0%
88156UAA8	TMTS 2006-8 1A1	Terwin Mortgage Trust	506,940,000	233,795,465	6.0%	6.0%
88156UAB6	TMTS 2006-8 1A2	Terwin Mortgage Trust	126,735,000	126,735,000	7.0%	7.0%
21075WBA2	CONHE 1995-1 A5	Contimortgage Home Equity Trust	57,500,000	2,271,267	2.0%	2.0%
57643LNV4	MABS 2006-AB1 A3A	Mastr Asset Backed Securities Trust	59,127,000	59,127,000	3.0%	3.0%
7609854S7	RAMP 2004-RZ2 A14	Residential Asset Mortgage Products Inc	43,700,000	23,786,580	2.5%	2.5%
76110VRV2	RFMS2 2005-HS1 A12	Residential Funding Mortgage Securities II Inc	68,230,000	28,056,103	2.5%	2.5%
437185AB7	RFMS2 2006-HI2 A2	Residential Funding Mortgage Securities II Inc	29,743,000	12,352,155	3.0%	3.0%
437185AC5	RFMS2 2006-HI2 A3	Residential Funding Mortgage Securities II Inc	43,353,000	43,353,000	3.0%	3.0%
43718VAC8	RFMS2 2006-HI5 A3	Residential Funding Mortgage Securities II Inc	49,360,000	49,360,000	3.0%	3.0%
43718WAA0	RFMS2 2007-HI1 A1	Residential Funding Mortgage Securities II Inc	97,701,000	13,204,521	2.0%	2.0%
43718WAB8	RFMS2 2007-HI1 A2	Residential Funding Mortgage Securities II Inc	26,745,000	26,745,000	2.0%	2.0%
881561PM0	TMTS 2004-23HE A	Terwin Mortgage Trust	151,369,000	13,272,277	2.0%	2.0%
881561C93	TMTS 2005-13SL A2	Terwin Mortgage Trust	58,016,000	10,203,741	2.0%	2.0%

EXTENSION OF EXPIRATION DATE

As a result of the new offering of Consideration Surplus Notes as additional consideration for the Offer, the Expiration Date for the Offer has been extended to 11:59 p.m., New York City time, on June 21, 2010. Holders that tender Eligible Insured Securities will not have withdrawal rights and tendered Eligible Insured Securities may not be withdrawn. Holders should carefully consider the likelihood that the Offer will be extended without withdrawal rights before participating in the Offer. See "Risk Factors" in the Offer to Exchange.

REVISIONS APPLICABLE TO ALL SECTIONS OF THE OFFER TO EXCHANGE

All sections in the Offer to Exchange that reference the consideration payable to the Holders of Eligible Insured Securities that elect to participate in the Offer (subject to acceptance of such Eligible Insured Securities) will be amended to reflect the addition of Consideration Surplus Notes (as set forth in Schedule A) as part of such consideration, and all sections that reference the payment, transfer, receipt, exchange or delivery of any Cash Consent Fees will be amended to include the delivery of the applicable Consideration Surplus Notes, subject to satisfaction of any applicable conditions to such delivery. Furthermore, all references to "Consent Fee" or "Consent Fees" in the Offer to Exchange shall be amended to refer to "Cash Consent Fee" or "Cash Consent Fees," as applicable.

REVISED SUMMARY OF OFFER

A new sub-section to the "Summary" section of the Offer to Exchange is added immediately after the sub-section entitled "Summary of Terms of Trust Certificates" as follows:

Summary of Terms of the Consideration Surplus Notes

This summary may not contain all of the information that you should consider before participating in the Offer and is qualified in its entirety by the other disclosures made in the Offer to Exchange, as amended and supplemented by this Supplement, and the terms of the Consideration Surplus Notes (as set forth in Annex G hereto) and the Fiscal Agency Agreement dated at or about the Settlement Date (the "Fiscal Agency Agreement") between FGIC and Citibank, N.A., as fiscal agent (together with any successor, the "Fiscal Agent"). You should carefully read the entire Offer to Exchange, including the "Risk Factors," the additional risk factors set forth in this Supplement, the financial statements and the Consideration Surplus Notes, before making an investment decision.

Issuer	FGIC
Issue Date	Settlement Date
Maturity Date	June 30, 2025
Interest Payment Date	June 30 of each year, commencing in 2011; provided that interest will not be paid in cash on the first four Interest Payment Dates as described below under "Payment of Interest."
Interest Period	The initial period from (and including) the Settlement Date to (but excluding) the first Interest Payment Date, and each successive one-year period thereafter from (and including) an Interest Payment Date to (but excluding) the following Interest Payment Date.
Interest Rate	4% annually, payable in arrears

Payment of Interest..... On each of the first four Interest Payment Dates, the interest that accrued for the immediately preceding Interest Period will not be payable in cash, but instead will be capitalized as additional principal of the Consideration Surplus Notes. Thereafter, interest will be payable in cash, subject to the prior approval of the Superintendent and as otherwise described below under "Restrictions on Payments."

Subordination..... The tendering Holders' right to payments of interest and repayments of principal under the Consideration Surplus Notes will be subordinate to claims under insurance policies issued by FGIC and to all other creditor claims except the claims of shareholders, as set forth in clauses (i) through (vii) of Paragraph (a)(1) of Section 7434 of the Insurance Law (or any successor statute, in each case as the same may be amended or modified from time to time).

Covenants..... Without either the prior (i) written consent of the holders of at least a majority in aggregate outstanding principal amount of the Consideration Surplus Notes or (ii) the affirmative vote by the holders of at least a majority in aggregate outstanding principal amount of the Consideration Surplus Notes at a meeting of Consideration Surplus Note holders held in accordance with the Fiscal Agency Agreement at which a quorum is present (determined in accordance with the Fiscal Agency Agreement), FGIC will not pay any dividend or distribution on, or make any redemption or repurchase of, any class of stock of FGIC at any time when the principal of the Consideration Surplus Notes shall not have been repaid in full, together with all accrued interest thereon.

Other than the restriction noted in the foregoing paragraph and the requirement for FGIC to give priority to the payment of fees due the Fiscal Agent in the event of a rehabilitation or liquidation of FGIC, the Fiscal Agency Agreement and the Notes do not contain restrictive covenants. For example, FGIC is not restricted from incurring, assuming or becoming liable with respect to any indebtedness or other obligations, whether secured or unsecured. There are also no financial ratios, specified levels of net worth or liquidity to which FGIC must adhere. Furthermore, the terms of the Consideration Surplus Notes do not obligate FGIC to accumulate surplus that could enable it to make payments on the Consideration Surplus Notes.

Restrictions on Payments..... As provided in Section 1307 of the Insurance Law and in accordance with the terms of the Consideration Surplus Notes, the repayment of

principal and any payment of interest on the Consideration Surplus Notes may only be made out of FGIC's free and divisible surplus and with the prior approval of the Superintendent, whenever in the Superintendent's judgment the financial condition of FGIC warrants.

Remedies

In the event that the Superintendent fails to approve the repayment of principal and any payment of interest on the Consideration Surplus Notes, the holders may only be able to seek a remedy against the Superintendent under Article 78 of the New York Civil Practice Law and Rules. Disputes relating to the Superintendent would likely be governed by New York law and would be subject to the jurisdiction of the courts of the State of New York.

In addition, in the event that FGIC fails to perform any of its obligations under the Consideration Surplus Notes, including any failure to pay interest on or principal of the Consideration Surplus Notes, the holders will not be entitled to declare the Consideration Surplus Notes to be immediately due and payable. There shall be no acceleration of the payment of the principal of the Consideration Surplus Notes or any accrued interest or other amounts due thereunder in any circumstance; provided, however, that upon the entry of a judicial order appointing the Superintendent (or his designee) as rehabilitator or liquidator of FGIC, which order is not dismissed, withdrawn or overturned within thirty (30) days after the date it is issued, the Consideration Surplus Notes and all amounts owed thereunder shall immediately become due and payable without any demand or action of any kind on the part of the Fiscal Agent or any Holder or any other person. Notwithstanding such acceleration, the restrictions on payment set forth in "Restrictions on Payments" above shall apply.

Denominations

The Consideration Surplus Notes will be issuable in minimum denominations of \$2,000 and any amount in excess thereof that is an integral multiple of \$1.00.

Book-Entry Form

The Consideration Surplus Notes will be issued in book-entry form and are represented by permanent global certificates deposited with, or on behalf of, DTC and registered in the name of a nominee of DTC. Beneficial interests in any of the Consideration Surplus Notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee, and any such interests may not be exchanged for certificated Consideration Surplus Notes, except in limited circumstances.

Listing	The Consideration Surplus Notes will not be listed on any securities exchange.
Impact on FGIC	Interest payable on the Consideration Surplus Notes will not be recorded as a liability or an expense of FGIC until approval for payment of such interest has been granted by the Superintendent. All interest, including interest in arrears, will be expensed in the statement of operations of FGIC when approved for payment by the Superintendent. Unapproved interest will not be reported through operations and, except for any interest capitalized with respect to the first four Interest Payment Dates, will not be represented as an addition to the principal amount of the Consideration Surplus Notes. As of the date that the Superintendent approves repayment of principal on the Consideration Surplus Notes, FGIC will reclassify such approved payments from surplus to liabilities. The costs of issuing the Consideration Surplus Notes will be charged to operations when incurred. The principal amount of the Consideration Surplus Notes will be recorded as surplus. FGIC will be seeking confirmation from the Superintendent of its proposed accounting treatment of the Consideration Surplus Notes as well as confirmation that receipt of a portion of the Insurance Payment Certificates and capitalization as additional principal of interest due on the first four Interest Payment Dates can serve as the proceeds or consideration received in exchange for the Consideration Surplus Notes rather than cash or acceptable admitted assets.
Governing Law	The Consideration Surplus Notes will be governed by the laws of the State of New York.

In addition, the following sub-sections of the Summary are deemed updated and amended to reflect the issuance of the Consideration Surplus Notes as additional consideration for the Offer:

- The "Offer" sub-section on page 2 of the Offer to Exchange,
- The "Purpose and Effect of the Offer" sub-section on page 3 of the Offer to Exchange, and
- The "Settlement Date" sub-section on page 4 of the Offer to Exchange.

The "Conditions to the Offer" sub-section on pages 4 through 7 of the Offer to Exchange is amended by amending and restating the "Regulatory Approvals" bullet condition on page 5 of the Offer to Exchange as follows:

"FGIC shall have received regulatory approval or non-objection (consistent with the requirements of the applicable statutes) from the Superintendent for the consummation of the Offer, the CDS Counterparty Agreement, the Other CDS Counterparty Agreements and related transactions and the other restructuring transactions, the Superintendent's approval of the terms and issuance of the Consideration Surplus Notes to the Offeror, which issuance is subject to conditions similar to those set forth in the clause "*Financing*" above, and any other required approvals from government authorities, in a form and in substance reasonably satisfactory to FGIC and the Offeror. One factor in the Offeror's

consideration of the Superintendent approval will be whether the Superintendent has determined, directly or indirectly, that transfers by FGIC pursuant to the restructuring transactions, including those contemplated by the CDS Counterparty Agreement, the Other CDS Counterparty Agreement and related transactions and the Offer, do not constitute a preferential or voidable transfer.”

The “Conditions to the Offer” sub-section on pages 4 through 7 of the Offer to Exchange is amended by adding a new bullet condition on page 6 after the bullet “Trust Formation” as follows:

“Issuance of the Notes. FGIC shall have issued the Consideration Surplus Notes to the Offeror in such manner, including as to time of delivery, delivery of legal opinions, form and substance, as to allow the Offeror to fully perform or cause to be performed its obligation to consummate the Offer, which issuance is subject to conditions similar to those set forth in the bullet condition “Financing” above.”

REVISED SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to the forward-looking statements and other information in Offer to Exchange, as amended and supplemented by this Supplement, you should also consider the following forward-looking statements relating to the Consideration Surplus Notes in deciding to participate in the Offer:

- FGIC’s inability to make any payments in respect of the Consideration Surplus Notes, including the risk that the Superintendent does not approve any such payments; and
- the potential dilutive impact of FGIC’s possible issuance of additional Consideration Surplus Notes at any time.

ADDITIONAL RISK FACTORS

In addition to the “Risk Factors” and other information in the Offer to Exchange, as amended and supplemented by this Supplement, you should also consider the following risk factors related to the Consideration Surplus Notes in deciding to participate in the Offer.

Risks Related to the Consideration Surplus Notes

The Superintendent must approve all payments (including any repayments of principal) in respect of the Consideration Surplus Notes and the holders of the Consideration Surplus Notes may have limited remedies against the Superintendent with respect to FGIC’s payment obligations under the Consideration Surplus Notes.

The Consideration Surplus Notes are issued by FGIC pursuant to Section 1307 of the Insurance Law and FGIC’s accounting for and reporting of them will be subject to statutory accounting practices prescribed or permitted by the NYID. In accordance with Section 1307 of the Insurance Law, any repayment of the principal and any payment of interest on the Consideration Surplus Notes may only be made out of FGIC’s free and divisible surplus and with the prior approval of the Superintendent, whenever in the Superintendent’s judgment the financial condition of FGIC warrants. There is no statutory or other requirement that FGIC accumulate surplus in order to make payments on the Consideration Surplus Notes.

Except to the extent that the prior approval of the Superintendent is received by FGIC with respect to any payment of interest on or principal of the Consideration Surplus Notes, FGIC may not make such payment on the Consideration Surplus Notes. Any payment of interest or principal that is not made on the maturity date of the Consideration Surplus Notes and any payment of interest that is not made on any Interest Payment Date after the first four Interest Payment Dates due to the prior approval or other requirements of Section 1307 of the Insurance Law, will be deferred to, and made on, the thirty-fifth day next following the day (if any) , or if such day is not a Business Day then the next succeeding

Business Day, on which the requirements of Section 1307 of the Insurance Law and the other applicable terms of the Consideration Surplus Notes are satisfied, together with accrued interest thereon.

In the event the Superintendent fails to approve the repayment of principal or any payment of interest on the Consideration Surplus Notes, the holders of the Consideration Surplus Notes may only be able to seek a remedy against the Superintendent pursuant to Article 78 of the New York Civil Practice Law and Rules. Disputes relating to the Superintendent would likely be governed by New York law and would be subject to the jurisdiction of the courts of the State of New York.

Any change in Section 1307 of the Insurance Law or other applicable law could adversely affect FGIC's ability to make payments on the Consideration Surplus Notes.

FGIC may not have the funds necessary to make any interest payments or to repay the Consideration Surplus Notes at maturity.

If FGIC does not receive the Superintendent's prior approval, or does not have, or does not have access to, sufficient funds to make any interest payments or to repay the Consideration Surplus Notes in full at maturity, then FGIC will be unable to pay interest or repay the Consideration Surplus Notes. In the event of such failure to repay principal and pay all accrued interest, the Consideration Surplus Notes may remain outstanding after the maturity date. Holders participating in the Offer that are relying on receiving interest payments or on the Consideration Surplus Notes being paid in full on the maturity date would thus be adversely affected.

The risk factors described elsewhere in the Offer to Exchange, including, without limitation, under "Risks Related to FGIC" and "Risks Related to the Offer" could also have a material adverse impact on FGIC's ability to satisfy such obligations in full or in part and could affect the Superintendent's determination whether the financial condition of FGIC warrants such payments.

Characterization by the Internal Revenue Service of the Consideration Surplus Notes issued in connection with the Offer and other contemplated restructuring transactions as equity potentially could subject FGIC's NOLs to the limitation provided by Section 382 of the Internal Revenue Code.

FGIC expects to obtain an opinion at closing from its special tax counsel Kirkland & Ellis LLP that the Consideration Surplus Notes should be characterized as debt for U.S. federal income tax purposes. However, it is possible that the IRS could assert that the Surplus Notes should be characterized as equity. If the IRS were to successfully assert that the Surplus Notes should be characterized as equity other than preferred stock described under Code Section 1504(a)(4), and it is determined that the Surplus Notes represent more than 50 percentage points of the value of FGIC's stock, FGIC's net operating loss carryforwards ("NOLs") may be subject to an annual limitation as provided in Section 382 of the Code.

Section 382 contains rules that limit the ability of a corporation that experiences an "ownership change" to utilize its NOLs and certain built-in losses recognized in periods following the ownership change. An ownership change is generally any change in ownership of more than 50 percentage points of the value of a corporation's stock over a 3-year period. These rules generally operate by focusing on ownership changes among shareholders owning directly or indirectly 5% or more of the stock of a corporation as well as changes in ownership that occur at a corporation's parent.

Should FGIC experience an ownership change for purposes of Section 382, its ability to utilize NOLs and certain built-in losses will be subject to an annual limitation in the future. This limitation is generally determined by multiplying the value of FGIC as of the ownership change date by the applicable long-term tax-exempt rate. The potential Code Section 382 limitation could have a material adverse impact on FGIC's Surplus Restoration Plan, result in a material increase in FGIC's U.S. federal income tax liability and materially reduce its available cash.

The Consideration Surplus Notes are subordinated to other obligations of FGIC.

The holders' right to payments of interest and repayments of principal under the Consideration Surplus Notes will be subordinate to creditor claims under insurance policies issued by FGIC and to all other claims except the claims of shareholders, as set forth in clauses (i) through (vii) of Paragraph (a)(1) of Section 7434 of the Insurance Law (or any successor statute, in each case as the same may be amended or modified from time to time). For example, the Consideration Surplus Notes are subordinate to all creditor claims, including claims of the federal government, claims of state and local governments, and claims of general creditors, including, but not limited to, claims arising under reinsurance contracts. Therefore, if FGIC is subject to a proceeding commenced under Article 74 of the Insurance Law, the holders of the claims enumerated in the applicable provisions of Section 7434 of the Insurance Law would have the right to be paid in full before any payment of principal or interest on the Consideration Surplus Notes is made to the Holders participating in the Offer. There is no limitation on the ability of FGIC to incur indebtedness or other obligations that may constitute claims superior to the Consideration Surplus Notes.

Limited remedies will exist to enforce the Consideration Surplus Notes following entry of a rehabilitation or liquidation order; limitations on acceleration.

The Consideration Surplus Notes provide that upon the entry of a judicial order appointing the Superintendent (or his designee) as rehabilitator or liquidator of FGIC, which order is not dismissed, withdrawn or overturned within 30 days after the date it is issued, the Consideration Surplus Notes and all amounts owed thereunder will immediately become due and payable without further demand or action of any kind, but notwithstanding such acceleration, (i) payments on the Consideration Surplus Notes would continue to be subordinate to creditor claims under insurance policies issued by FGIC and to all other claims except the claims of shareholders and (ii) restrictions on payments under Section 1307 of the Insurance Law would continue to apply.

The Consideration Surplus Notes are not, however, otherwise subject to acceleration or otherwise capable of becoming immediately payable. As a result, in the event that FGIC fails to perform any of its obligations under the Consideration Surplus Notes, including any failure to pay interest on or principal of the Consideration Surplus Notes, a holder will not be entitled to declare the Consideration Surplus Notes to be immediately due and payable. Moreover, FGIC has the right to repay the Consideration Surplus Notes at any time without premium or penalty, subject to the prior approval and other requirements of Section 1307 of the Insurance Law.

No public market exists for the Consideration Surplus Notes and the Consideration Surplus Notes are subject to transfer restrictions.

Prior to the Offer, there has been no market for the Consideration Surplus Notes. The Consideration Surplus Notes are not and will not be registered under the Securities Act or any state securities laws and, as a result, are subject to certain restrictions on transfer. The Consideration Surplus Notes may only be transferred in accordance with the terms of the Consideration Surplus Notes.

In addition, no person or entity has or is anticipated to be engaged to make a market in the Consideration Surplus Notes, and no market-making activities are expected with respect to the Consideration Surplus Notes themselves. Therefore, there will be no active market for the Consideration Surplus Notes. Consequently, a Holder participating in the Offer may not be able to liquidate its investment readily or at all, and the Consideration Surplus Notes may not be readily accepted, or accepted at all, as collateral for loans. Accordingly, tendering Holders should be prepared to bear the risk of holding the Consideration Surplus Notes indefinitely.

The Consideration Surplus Notes provide for capitalization of interest on the first four Interest Payment Dates.

For the first four Interest Payment Dates, interest will not be paid in cash on the Consideration Surplus Notes but instead will be capitalized as additional principal. Therefore, the holders of the Consideration Surplus Notes may only receive cash value for interest that accrues on the Consideration Surplus Notes after four years of holding them, subject to Section 1307 of the Insurance Law, including the requirement that payments may only be made out of FGIC's free and divisible surplus and with the prior approval of the Superintendent, whenever in the Superintendent's judgment the financial condition of FGIC warrants. Because of the capitalization of interest feature during the first four years, the Consideration Surplus Notes will be treated as issued with substantial OID. For a more detailed discussion of the U.S. federal income tax considerations regarding the acquisition, ownership and disposition of the Consideration Surplus Notes, see "Certain United States Federal Income Tax Consequences" herein.

The Consideration Surplus Notes are subject to early redemption.

FGIC may redeem the Consideration Surplus Notes, in whole or in part without premium or penalty, at any time prior to the maturity date, subject to the prior approval and other requirements of Section 1307 of the Insurance Law. Holders may be disadvantaged by redemptions in whole or in part of the Consideration Surplus Notes prior to the expected maturity date, particularly if they are relying on the Consideration Surplus Notes to remain outstanding until their maturity date.

UPDATES TO PART ONE: INFORMATION REGARDING THE OFFER

Purpose of the Offer

The first sentence in the "Purpose of the Offer" section on page 39 of the Offer to Exchange is amended and restated as follows:

"The purpose of the Offer is for the Offeror to acquire the Eligible Insured Securities pursuant to the Offer for a cash payment equal to the applicable Cash Consent Fee together with the related UCF Certificate and Consideration Surplus Note."

Terms of the Offer

The third paragraph under "Terms of the Offer—General" on page 40 of the Offer to Exchange is updated to include the issuance of the Surplus Notes as additional consideration for the Offer as follows:

Holders that elect to participate in the Offer and validly tender their Eligible Insured Securities prior to the Expiration Date will be entitled to receive Consideration Surplus Notes in addition to the related UCF Certificate and Cash Consent Fee (as set forth in Schedule A, as amended and restated in this Supplement) upon acceptance of such Eligible Insured Securities. Payment of the applicable Cash Consent Fee together with the delivery of any UCF Certificates and the Consideration Surplus Notes for the Eligible Insured Securities validly tendered and accepted for payment, is expected to be made on the Settlement Date. The Offer is conditioned upon the conditions originally set forth in the Offer to Exchange, as amended and supplemented, as well as of FGIC's issuance of the Consideration Surplus Notes to the Offeror, which issuance is subject to the same conditions as the financing to be provided by FGIC to the Offeror in connection with the Offer. See "*Description of the Consideration Surplus Notes*" in the Offer to Exchange, as amended and supplemented by this Supplement.

A new fourth paragraph is added immediately thereafter as follows:

"The Consideration Surplus Notes received by the Depositary from the Offeror will be held on behalf of the applicable tendering Holders. The Depositary will notify such Holders (or their representatives, as applicable) by e-mail that the Consideration Surplus Notes have been received on

their behalf and that "free deliveries" of the Consideration Surplus Notes will be made on a stated date through "free delivery" in DTC to the Holder's custodian accounts designated as part of the Website Account opening process. The Depository will deliver the Consideration Surplus Notes in accordance with the instructions noted for the delivery of the UCF Certificates."

In addition, the condition in clause (3) under "Terms of the Offer—Conditions to the Offer" on page 42 of the Offer to Exchange is amended and restated as follows:

"(3) FGIC shall have received regulatory approval or non-objection (consistent with the requirements of the applicable statutes) from the Superintendent for the consummation of the Offer, the CDS Counterparty Agreement and related transactions and the other restructuring transactions, the Superintendent's approval of the terms and issuance of the Consideration Surplus Notes to the Offeror, which issuance is subject to conditions similar to those set forth in clause (2) above, and any other required approvals from government authorities, in a form and in substance reasonably satisfactory to FGIC and the Offeror. One factor in the Offeror's consideration of the Superintendent approval will be whether the Superintendent has determined, directly or indirectly, that transfers by FGIC pursuant to the restructuring transactions, including those contemplated by the CDS Counterparty Agreement, the Other CDS Counterparty Agreement and related transactions and the Offer, do not constitute a preferential or voidable transfer."

Clause (10) is added under "Terms of the Offer—Conditions to the Offer" on page 43 of the Offer to Exchange as follows:

"(10) FGIC shall have issued the Consideration Surplus Notes to the Offeror in such manner, including as to time of delivery, delivery of legal opinions, form and substance, as to allow the Offeror to fully perform or cause to be performed its obligation to consummate the Offer, which issuance is subject to conditions similar to those set forth in clause (2) above."

Description of the Consideration Surplus Notes and the Fiscal Agency Agreement

A new section entitled "Description of the Consideration Surplus Notes and the Fiscal Agency Agreement" is added immediately after the "Description of the Trust Certificates" section as follows:

DESCRIPTION OF THE CONSIDERATION SURPLUS NOTES AND THE FISCAL AGENCY AGREEMENT

The following summary describes certain provisions of the Consideration Surplus Notes and the Fiscal Agency Agreement. The summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Consideration Surplus Notes, the form of which is to be submitted to the Superintendent for approval and is attached hereto as Annex G.

The Consideration Surplus Notes

FGIC will issue Consideration Surplus Notes to the Offeror, and the Holders that elect to participate in the Offer and validly tender their Eligible Insured Securities prior to the Expiration Date will, upon acceptance of such Eligible Insured Securities, be entitled to receive the Consideration Surplus Notes from the Offeror on the Settlement Date. The Consideration Surplus Notes are governed by the terms found therein, the terms of the Fiscal Agency Agreement and Section 1307 of the Insurance Law. Section 1307 of the Insurance Law provides, among other things, that the Consideration Surplus Notes are not part of the legal liabilities of FGIC and are not a basis of any set-off against FGIC. However, until repaid, all statutory financial statements published by FGIC or filed with the Superintendent will show, as a footnote, the amount of the Consideration Surplus Notes then remaining unpaid. In addition to those issued to the Offeror, FGIC may issue other Consideration Surplus Notes at any time.

The Consideration Surplus Notes are unsecured obligations of FGIC that will mature on June 30, 2025. Subject to the prior approval and other requirements of Section 1307 of the Insurance Law, FGIC

may repay all or any part of the accrued but unpaid interest and principal balance of the Consideration Surplus Notes without premium or penalty. Interest on the Consideration Surplus Notes will be payable (subject to Section 1307 of the Insurance Law) on June 30 of each year, commencing in 2011 (each such date, an "Interest Payment Date"), and will accrue simple interest computed annually at a rate of 4%, payable in arrears, provided that on each of the first four Interest Payment Dates, the interest then due for the immediately preceding Interest Period will not be payable in cash, but instead will be capitalized as additional principal of the Consideration Surplus Notes as of such Interest Payment Date. Interest will accrue at 4% per annum on any amounts that become payable under the Consideration Surplus Notes and are not paid when due or that would have become payable but for FGIC's failure to satisfy the requirements set forth in Section 1307 of the Insurance Law. The term "Interest Period" is defined as the initial period from (and including) the Settlement Date to (but excluding) the first Interest Payment Date, and each successive one-year period thereafter from (and including) an Interest Payment Date to (but excluding) the following Interest Payment Date. Interest on the Consideration Surplus Notes will accrue annually, calculated for the actual number of days elapsed in the applicable Interest Period and computed on the basis of a 365-day year. Whenever any payment on the Consideration Surplus Notes is due on a day that is not a Business Day, then that payment shall be due on the next succeeding Business Day. "Business Day" means any day other than a Saturday, Sunday or any other day on which banking institutions are authorized or required by law or executive order to close in New York, New York.

Except to the extent that the prior approval of the Superintendent is received by FGIC with respect to any payment of interest on or principal of the Consideration Surplus Notes, FGIC may not make such payment on the Consideration Surplus Notes. Any payment of interest or principal that is not made on the Maturity Date and any payment of interest that is not made on any Interest Payment Date after the first four Interest Payment Dates due to the failure to satisfy the prior approval or other requirements of Section 1307 of the Insurance Law by such date will be deferred until after such requirements are satisfied. In the event FGIC receives the approval of the Superintendent for any payment of interest on or principal of the Consideration Surplus Notes after the relevant Interest Payment Date or the Maturity Date, as applicable, FGIC will notify the Fiscal Agent thereof within two Business Days following such receipt, and the Fiscal Agent will in turn notify or cause to be notified the Holders of the same within two Business Days following its receipt of such notice from FGIC, and FGIC shall schedule a Payment Date that shall be 35 days following the date of the Superintendent's approval of such payment or, if such date is not a Business Day, then the next succeeding Business Day.

The Consideration Surplus Notes will be issuable in minimum denominations of \$2,000 and any amount in excess thereof that is an integral multiple of \$1.00. All payments of any amounts payable under the Consideration Surplus Notes by FGIC will be made in United States dollars.

The participating Holders' right to payments of interest and repayments of principal under the Consideration Surplus Notes will be subordinate to the obligations of FGIC set forth in clauses (i) through (vii) of Paragraph (a)(1) of Section 7434 of the Insurance Law (or any successor statute, in each case as the same may be amended or modified from time to time). Furthermore, as provided in Section 1307 of the Insurance Law, the repayment of principal and any payment of interest on the Consideration Surplus Notes may only be made out of FGIC's free and divisible surplus and with the prior approval of the Superintendent, whenever in the Superintendent's judgment the financial condition of FGIC warrants. In addition, in the event that the Superintendent fails to approve the repayment of principal or any payment of interest on the Consideration Surplus Notes, the participating Holders may only be able to seek a remedy against the Superintendent under Article 78 of the New York Civil Practice Law and Rules. Disputes relating to the Superintendent would likely be governed by New York law and would be subject to the jurisdiction of the courts of the State of New York.

Interest payable on the Consideration Surplus Notes will not be recorded as a liability nor an expense of FGIC until approval for payment of such interest has been granted by the Superintendent. All interest, including interest in arrears, will be expensed in the statement of operations of FGIC when approved for payment. Unapproved interest will not be reported through operations and, except for any interest capitalized in connection with the first four Interest Payment Dates, will not be represented as an addition to the principal amount of the Consideration Surplus Notes. As of the date that the Superintendent approves repayment of principal on the Consideration Surplus Notes, FGIC will reclassify

such approved payments from surplus to liabilities. The costs of issuing the Consideration Surplus Notes will be charged to operations when incurred. The principal amount of the Consideration Surplus Notes will be recorded as surplus. FGIC will be seeking confirmation from the Superintendent of its proposed accounting treatment of the Consideration Surplus Notes as well as confirmation that receipt of a portion of the Insurance Payment Certificates and capitalization as additional principal of interest due on the first four Interest Payment Dates can serve as the proceeds or consideration received in exchange for the Consideration Surplus Notes rather than cash or acceptable admitted assets.

Without either the prior (i) written consent of the holders of at least a majority in aggregate outstanding principal amount of the Consideration Surplus Notes or (ii) the affirmative vote by such holders of at least a majority in aggregate outstanding principal amount of the Consideration Surplus Notes at a meeting of holders of the Consideration Surplus Notes held in accordance with the Fiscal Agency Agreement, at which a quorum is present (determined in accordance with the Fiscal Agency Agreement), FGIC will not pay any dividend or distribution on, or make any redemption or repurchase of, any class of stock of FGIC at any time when the principal of the Consideration Surplus Notes shall not have been repaid in full, together with all accrued interest thereon.

There will be no acceleration of the payment of the principal of the Consideration Surplus Notes or any accrued interest or other amounts due thereunder in any circumstance; provided, however, that upon the entry of a judicial order appointing the Superintendent (or his designee) as rehabilitator or liquidator of FGIC, which order is not dismissed, withdrawn or overturned within thirty (30) days after the date it is issued, the Consideration Surplus Notes and all amounts owed thereunder will immediately become due and payable without any demand or action of any kind on the part of the Fiscal Agent, any Holder or any other person, but notwithstanding such acceleration, (i) payments on the Consideration Surplus Notes would continue to be subordinate to creditor claims under insurance policies issued by FGIC and to all other claims except the claims of shareholders and (ii) restrictions on payments under Section 1307 of the Insurance Law would continue to apply, together with any restrictions imposed as a consequence of, or pursuant to, such rehabilitation or liquidation proceedings.

FGIC may not assign any Consideration Surplus Note, or any of its obligations thereunder, to any person or entity other than the holder of such Consideration Surplus Note, and such holder may only transfer the Consideration Surplus Note in accordance with the terms of the Fiscal Agency Agreement. The Consideration Surplus Notes will be governed by the laws of the State of New York. The Consideration Surplus Notes will not be listed on any securities exchange.

The terms of the Consideration Surplus Notes may be waived, altered or amended in writing by FGIC, subject to the prior written consent of the holders of at least a majority in aggregate outstanding principal amount of the Consideration Surplus Notes or the affirmative vote by the holders of at least a majority in aggregate outstanding principal amount of the Consideration Surplus Notes at a meeting of holders held pursuant to the Fiscal Agency Agreement at which a quorum is present.

The Consideration Surplus Notes will be issued in book-entry form and are represented by permanent global certificates deposited with, or on behalf of, DTC and registered in the name of a nominee of DTC. Beneficial interests in any of the Consideration Surplus Notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee, and any such interests may not be exchanged for certificated securities except in limited circumstances set forth in the Fiscal Agency Agreement.

The Fiscal Agency Agreement

Pursuant to the Fiscal Agency Agreement, a meeting of holders of the Consideration Surplus Notes may be called at any time to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by the Fiscal Agency Agreement to be made, given or taken by such holders. To be entitled to vote at any meeting of the holders, a person or entity shall be (i) a holder of the Consideration Surplus Notes or (ii) a person or entity appointed by an instrument in writing as proxy for one or more holders. The only persons who will be entitled to be present or to speak at any meeting of the holders will be the persons entitled to vote at such meeting and their counsel, any

representatives of the Fiscal Agent and its counsel, and any representatives of FGIC and its counsel. Any action taken at any meeting of the holders duly held in accordance with the Fiscal Agency Agreement, if taken by the holders of any aggregate principal amount of the Consideration Surplus Notes required for such action by the Fiscal Agency Agreement, will be binding on all the holders whether or not present or represented at the meeting. Any action required or permitted to be taken by the holders may also be effected by consent in writing by the applicable requisite aggregate principal amount of the Consideration Surplus Notes.

The Fiscal Agency Agreement provides that if (and for so long as) FGIC is not subject to Section 13 or 15(d) of the Exchange Act, upon the request of a holder, FGIC will promptly furnish, or cause to be furnished, to such holder or to a prospective purchaser of such Consideration Surplus Note designated by such holder, as the case may be, the information required to be delivered pursuant to rule 144A(d)(4) under the Securities Act to permit compliance with Rule 144A in connection with resales of the Consideration Surplus Notes.

In the event FGIC receives the written approval of the Superintendent for any payment of interest on or principal of the Consideration Surplus Notes after the relevant Interest Payment Date or the Maturity Date, as applicable, FGIC will notify the Fiscal Agent thereof within two Business Days following such receipt, and the Fiscal Agent will in turn notify or cause to be notified the Holders of the Consideration Surplus Notes within two Business Days following its receipt of such notice from FGIC, and FGIC shall schedule a payment date that shall be 35 days following the date of the Superintendent's approval of such payment or if such date is not a Business Day, then the next succeeding Business Day (such payment date, a "Scheduled Payment Date"). If the Superintendent approves a payment of principal or interest on the Consideration Surplus Notes in an amount that is less than the full amount of principal of and interest on the Consideration Surplus Notes then scheduled to be paid in respect of the Consideration Surplus Notes, payment of such partial amount shall be made pro rata among Holders.

A person will be deemed a Holder of a Consideration Surplus Note for any payment of interest or principal if such person is identified on the records of the registrar (initially the Fiscal Agent) as the owner of a beneficial interest in the Consideration Surplus Notes as of the related Record Date. "Record Date" means (A) with respect to payments on the Maturity Date and on any Interest Payment Date commencing with the fifth (5th) Interest Payment Date, such day as is forty-five (45) days prior to the Maturity Date or such Interest Payment Date, as applicable, (B) with respect to payments on a Scheduled Payment Date, such day as is fifteen (15) days prior to such Scheduled Payment Date and (C) with respect to amounts for which the approval of the Superintendent has been obtained and which is not punctually paid on the applicable payment date, the special record date determined in accordance with the Fiscal Agency Agreement.

An owner of a beneficial interest in a Consideration Surplus Note may only transfer such interest to a "Qualified Institutional Buyer" that provides certification of such status. If FGIC determines that a beneficial owner or Holder of a Consideration Surplus Note was not a "Qualified Institutional Buyer" at the time of purchase, then FGIC may require such beneficial owner or Holder to sell its interest in such Consideration Surplus Note to a person that is a "Qualified Institutional Buyer." Pending such sale, such beneficial owner or Holder shall not be entitled to receive payments or provide any vote, consent or direction.

FGIC and the Fiscal Agent may amend the Fiscal Agency Agreement without the consent of any Holder for certain purposes described in the Fiscal Agency Agreement, including without limitation: (i) adding to the covenants of FGIC for the benefit of the Holders; (ii) surrendering any right or power conferred on FGIC; (iii) securing the Consideration Surplus Notes; (iv) evidencing the succession of another entity to FGIC and the assumption by any such successor of the covenants and obligations of FGIC therein and in the Consideration Surplus Notes as permitted by the Fiscal Agency Agreement and the Consideration Surplus Notes; (v) curing any ambiguity or correcting or supplementing any defective provision contained in the Fiscal Agency Agreement or the Consideration Surplus Notes in a manner which does not adversely affect the interests of any Holder in any material respect; or (vi) effecting any amendment that FGIC and the Fiscal Agent may determine is (x) necessary or desirable and (y) which would not be reasonably expected to materially and adversely affect the interests of any Holder. In

addition, certain other amendments, modifications or supplements to the Fiscal Agency Agreement (as described therein) may only be effected with the consent of holders of at least a majority in aggregate principal amount of the Consideration Surplus Notes or, in certain cases described therein, the consent of each Holder. No such amendment, modification, supplement or waiver shall be effective without the prior approval of the Superintendent.

Holders may obtain a copy of the Fiscal Agency Agreement from Global Bondholder Services Corporation, as Exchange and Information Agent or Deutsche Bank Securities Inc., as Dealer Manager for the Offer, or Citibank, N.A., as Fiscal Agent, at their respective addresses and telephone numbers set forth on the back cover of this Supplement upon request.

Acceptance for Payment and Payment for Tendered Securities

The first sentence of the second paragraph on page 59 of the Offer to Exchange is amended and restated as follows:

“Payment of the applicable Cash Consent Fee together with the delivery of the applicable Consideration Surplus Notes and any related UCF Certificates for Eligible Insured Securities validly tendered and accepted for payment, is expected to be made on the Settlement Date.”

Procedures for Tendering Eligible Insured Securities

In the section “*Procedures for Tendering Eligible Insured Securities—Delivery of Applicable Consent Fee and UCF Certificates to Holders on the Settlement Date*,” a new fourth paragraph is inserted on page 65 of the Offer to Exchange as follows:

“The Depositary will notify the tendering Holders (or their representatives, as applicable) by email that the Consideration Surplus Notes have been received on a stated date through “free delivery” in DTC to the Holder’s custodian accounts designated as part of the Website Account opening process. The Depositary will deliver the Consideration Surplus Notes in accordance with the instructions noted for the delivery of the UCF Certificates.”

Representations Made by Holders of Tendering Securities

In the section “*Representations Made by Holders of Tendering Securities*,” representations 7, 8, 9 and 12 are modified such that all references to UCF Certificates also apply to Consideration Surplus Notes (except where such representations refer to the trusts issuing the UCF Certificates).

In the section “*Representations Made by Holders of Tendering Securities*,” the following paragraph is added after paragraph 16:

“17. It understands that, in accordance with the Employee Retirement Income Security Act of 1974, as amended, no employee benefit plan as to which FGIC is a party in interest or a disqualified person, or a qualified institutional buyer acting on behalf of such a plan, may acquire a Consideration Surplus Note unless the acquisition would constitute an exempt transaction under a statutory exemption or any one of the administrative exemptions issued by the U.S. Department of Labor.”

Certain ERISA Considerations

The following title and paragraphs are added immediately before “Certain United States Federal Income Tax Consequences” on page 73 of the Offering to Exchange:

“Certain ERISA Considerations

To the extent the Consideration Surplus Notes are held by an employee benefit plan subject to Title I of ERISA, or Section 4975 of the Code, the following considerations should be taken into account.

A fiduciary of an employee benefit plan subject to ERISA must determine that the acquisition and holding of a Consideration Surplus Note is consistent with its fiduciary duties under ERISA. The fiduciary of an ERISA plan, as well as any other prospective investor subject to Section 4975 of the Code, must also determine if its acquisition and holding of Consideration Surplus Notes does not result in a non-exempt prohibited transaction as defined in Section 406 of ERISA or Section 4975 of the Code. To address the above concerns, the Consideration Surplus Notes may not be held by or transferred to any investor unless the investment complies with the representations contained in paragraph 17 of the "Representations Made By Holders Tendering Securities," which are designed to ensure that the acquisition of the Consideration Surplus Notes will not constitute or result in a non-exempt prohibited transaction under ERISA or the Code.

Similar state and/or local laws may apply to plans and entities holding plan assets that are not subject to Title I of ERISA or Section 4975 of the Code."

Certain United States Federal Income Tax Consequences

The original section beginning on page 73 of the Offer to Exchange is amended and restated in its entirety as follows:

"CIRCULAR 230 DISCLOSURE

TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE, WE INFORM YOU THAT (A) ANY UNITED STATES FEDERAL TAX ADVICE CONTAINED HEREIN (INCLUDING ANY ATTACHMENTS OR ENCLOSURES) WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING UNITED STATES FEDERAL TAX PENALTIES, (B) ANY SUCH ADVICE WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN AND (C) ANY TAXPAYER TO WHOM THE TRANSACTIONS OR MATTERS ARE BEING PROMOTED, MARKETED OR RECOMMENDED SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

General

The following is a general discussion of the anticipated material U.S. federal income tax consequences of the acquisition, ownership and disposition of the UCF Certificates and Consideration Surplus Notes. This discussion is directed solely to holders that will hold the UCF Certificates and Consideration Surplus Notes as capital assets within the meaning of Section 1221 of the Code, and does not purport to discuss all U.S. federal income tax consequences that may be applicable to particular categories of investors, some of which (such as partnerships or other pass-through entities, trusts, estates, cooperatives, regulated investment companies, financial institutions, broker-dealers, insurance companies, tax-exempt organizations, and non-U.S. individuals and foreign corporations) may be subject to special rules. The authorities on which this discussion is based are subject to change or differing interpretations, which could apply retroactively. Prospective holders should note that no rulings have been or will be sought from the IRS with respect to any of the federal income tax consequences discussed below, and no assurance can be given the IRS will not take contrary positions.

Holders are advised to consult their tax advisors concerning the U.S. federal, state, local, foreign or other tax consequences to them of the acquisition, ownership and disposition of the UCF Certificates and Consideration Surplus Notes.

United States Holders

The term "U.S. holder" means a beneficial owner of a UCF Certificate or Consideration Surplus Note that, for U.S. federal income tax purposes, is:

- a citizen or resident of the United States;
- a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States or of a political subdivision of the United States;
- an estate whose income is subject to U.S. federal income taxation regardless of its source;
- any trust if (i) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) it has a valid election in place to be treated as a U.S. person; or
- a taxpayer who is subject to U.S. federal income tax on a net basis on its share of income from the Trust.

A “non-U.S. holder” is any beneficial owner of a UCF Certificate or Consideration Surplus Note that is not a U.S. holder.

This section does not discuss the U.S. federal income tax consequences that may be relevant to a partnership or other pass-through entity or to the partners or members in such an entity. If you are a partnership or other pass-through entity or a partner or member in such an entity, you should consult your own tax advisor regarding the U.S. federal tax consequences of the acquisition, ownership and disposition of the UCF Certificates and Consideration Surplus Notes.

United States Federal Income Tax Consequences to U.S. Holders

Tax Treatment of the Acquisition of UCF Certificates, Consideration Surplus Notes, and of Each Trust

No statutory, judicial, or administrative authority directly addresses the characterization of the Offer or similar transactions for U.S. federal income tax purposes. As a result, significant aspects of the U.S. federal income tax consequences of the Offer, the UCF Certificates and the Consideration Surplus Notes are not certain. The Trust has obtained an opinion from its special tax counsel, Hunton & Williams LLP, with respect to certain matters, as described below. FGIC expects to obtain an opinion from its special tax counsel, Kirkland & Ellis LLP, with respect to certain matters, as described below. An opinion of counsel is not, however, binding on the IRS or the courts, and the Offer could be characterized by IRS or the courts in a manner that differs from the intended tax treatment by the Trust or FGIC. Neither the Trust nor FGIC intends to request a ruling from the IRS with respect to the tax treatment of the Offer. Accordingly, there can be no assurance that the IRS will not challenge the conclusion expressed in the tax opinions referred to above or the discussion under “*Certain United States Federal Income Tax Consequences*” in this Offer to Exchange, or that a court will not sustain such a challenge.

For possible alternative tax characterizations, see “—*Alternative Tax Treatment*” below. As described therein, alternative tax treatment of the Offer or of the UCF Certificates or of the Consideration Surplus Notes could affect the timing, amount and character of any income or loss to a Holder from the consummation of the Offer and from its position in the UCF Certificates.

Potential holders of UCF Certificates and Consideration Surplus Notes are advised to consult their tax advisors concerning the U.S. federal, state, local, foreign or other tax consequences to them of the acquisition, ownership and disposition of the UCF Certificates and Consideration Surplus Notes.

Intended Tax Treatment. For U.S. federal income tax purposes, Hunton & Williams LLP, special tax counsel to the Trust, is of the opinion that the consummation of the Offer should be treated as a taxable sale by the Holder of a partial beneficial interest in the applicable Eligible Insured Securities (the portion of such securities which represents the right to an insurance payment) to FGIC in exchange for the Consideration Surplus Notes, cash and the right to receive the Assigned Reimbursement Amounts

allocated to the UCF Certificates. In turn, the Holder will be deemed to have contributed the balance of its interest in the Eligible Insured Securities to the applicable Trust in exchange for a UCF Certificate, and FGIC will be deemed to have contributed its beneficial interest in the Eligible Insured Securities in exchange for an Insurance Payment Certificate. Hunton & Williams LLP is of the opinion that the Trust will not be subject to entity level taxation for U.S. federal income tax purposes. Kirkland & Ellis LLP, special tax counsel to FGIC, expects to provide an opinion at closing that the Consideration Surplus Notes should be characterized as debt for U.S. federal income tax purposes.

Under the characterization described above, a Holder that is a U.S. holder will recognize U.S. source capital gain or loss equal to the difference between the amount realized on the disposition of its partial beneficial interest in the Eligible Insured Securities and the U.S. holder's tax basis allocable to that interest. Any capital gain or loss recognized upon the disposition of the Eligible Insured Securities to FGIC will be long-term capital gain or loss (currently subject to taxation at reduced rates for U.S. holders that are non-corporate taxpayers) if the Eligible Insured Securities were held for more than one year. The deductibility of capital losses is generally permitted only to offset capital gains (and in the case of an individual, no more than \$3,000 of ordinary income in any single year).

A Holder should allocate its adjusted tax basis in the Eligible Insured Securities between the portion treated as sold to FGIC (the insurance payment portion) and the portion treated as contributed to the Trust. The Trust will take the position for U.S. federal income tax purposes that it should be characterized as a partnership whose partners are the Holders and the Insurance Payment Certificateholder; that a Holder's basis in its Eligible Insured Securities should be allocated between the portion of the Eligible Insured Securities treated as sold to FGIC and the portion of the Eligible Insured Securities contributed to the Trust based on their relative fair market value determined at the time of the Offer (based on a third-party mark obtained by the Trust); and that for purposes of determining a Holder's amount realized and basis allocated, the Holder should be treated as disposing of a partial beneficial interest in the Eligible Insured Securities consisting of a right to FGIC Policy Claim Payments reduced by corresponding obligations under the Assigned Reimbursement Rights. **Under this treatment, a U.S. holder's amount realized on the disposition would equal the sum of the amount of cash received by the Holder and the face amount of the Consideration Surplus Notes; the portion of a Holder's basis in its Eligible Insured Securities that would be allocated to the portion of the Eligible Insured Securities treated as sold to FGIC would equal (i) the Holder's basis in the Eligible Insured Securities, multiplied by (ii) the cash received from FGIC (such cash and the Consideration Surplus Notes in the aggregate representing the fair market value of the FGIC Policy Claim Payments minus the Assigned Reimbursement Rights) and the face amount of the Consideration Surplus Notes, divided by the fair market value of the Eligible Insured Securities; and the Holder would have a basis in its UCF Certificates equal to the remaining basis in its Eligible Insured Securities.** Although the Trust will take the position that the Holder will be treated as disposing of a partial beneficial interest in the Eligible Insured Securities consisting of a single net asset composed of a right to FGIC Policy Claim Payments reduced by corresponding obligations under the Assigned Reimbursement Rights, if the Assigned Reimbursement Rights instead are treated as a separate asset, the Trust and the Holders will treat the Assigned Reimbursement Rights as having a zero basis for federal income tax purposes when contributed to the Trust.

If the Consideration Surplus Notes are determined to be "traded on an established market" under Treasury Regulation Section 1.1273-2(f) within thirty (30) days of their issuance, the "issue price" of such Consideration Surplus Notes will be deemed to be their fair market value. As a result, for purposes of determining a Holder's amount realized and basis allocated under the intended tax treatment described above, a U.S. holder's amount realized on the disposition would equal the sum of the amount of cash received by the Holder and the *fair market value* of the Consideration Surplus Notes. The portion of a Holder's basis in its Eligible Insured Securities that would be allocated to the portion of the Eligible Insured Securities treated as sold to FGIC would equal (i) the Holder's basis in the Eligible Insured Securities, multiplied by (ii) the cash received from FGIC (such cash and the Consideration Surplus Notes in the aggregate representing the fair market value of the FGIC Policy Claim Payments minus the Assigned Reimbursement Rights) and the *fair market value* of the Consideration Surplus Notes, divided by the fair market value of the Eligible Insured Securities; and the Holder would have a basis in its UCF Certificates equal to the remaining basis in its Eligible Insured Securities. Holders of Consideration

Surplus Notes deemed “traded on an established market” would also recognize additional interest income, above and beyond the stated interest, as the original issue discount (“OID”) accrues on such Consideration Surplus Notes.

By acquiring a UCF Certificate, a Holder will be obligated for U.S. federal income tax purposes to treat the acquisition of a UCF Certificate pursuant to the Offer and the characterization of the Trust in the manner described above, and to allocate basis among the Holder’s respective beneficial interests in the Eligible Insured Securities consistent with the foregoing. For potential alternative methods for characterizing the transaction and the Trust and for allocating tax basis, see “—*Alternative Tax Treatment*” below.

For the first four years, interest will be paid on the Consideration Surplus Notes as payment-in-kind interest and not as cash. Accordingly, the Consideration Surplus Notes will be treated as issued with OID for U.S. federal income tax purposes. Each Consideration Surplus Note should be treated as having been issued with OID in an amount equal to the excess of the Consideration Surplus Note’s “stated redemption price at maturity” over its “issue price.” The stated redemption price at maturity should equal the sum of all payments on the Consideration Surplus Note other than “qualified stated interest,” i.e., all interest payable unconditionally in cash during the term of the Note. There are not expected to be any payments of qualified stated interest in respect of the Consideration Surplus Notes. Regardless of a U.S. Holder’s regular method of tax accounting, the U.S. Holder is generally required to accrue OID on a Consideration Surplus Note on a constant yield basis and include the accruals in gross income, whether or not the U.S. Holder receives a corresponding cash payment on the Consideration Surplus Note during the taxable year.

The amount of OID includible in income by a U.S. Holder will be the sum of the “daily portions” of OID with respect to the Consideration Surplus Note for each day during the taxable year or portion thereof in which such U.S. Holder holds such Consideration Surplus Note (“accrued OID”). A daily portion is determined by allocating to each day in any “accrual period” a pro rata portion of the OID that accrued in such period.

Information Reporting and Backup Withholding. Information reporting requirements generally will apply to interest on the Consideration Surplus Notes and the proceeds of a sale of a Consideration Surplus Note paid to a U.S. holder unless the U.S. holder is an exempt recipient, such as a corporation. Backup withholding will apply to those payments if the U.S. holder fails to provide its correct taxpayer identification number, or certification of exempt status, or if the U.S. holder is notified by the IRS that it has failed to report in full payments of interest and dividend income. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a U.S. holder’s U.S. federal income tax liability if the required information is furnished in a timely manner to the IRS.

Medicare Tax on Unearned Income. Recently enacted legislation requires certain U.S. holders that are individuals, estates or trusts to pay an additional 3.8% tax on, among other things, interest on and gains from the sale or other disposition of capital assets for taxable years beginning after December 31, 2012. U.S. holders that are individuals, estates or trusts should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the Consideration Surplus Notes.

Alternative Tax Treatment. The Trust and the Offer may be treated in various ways for U.S. federal income tax purposes that are different from the intended tax treatment described above. These alternative characterizations may affect the timing, amount and character of income or loss recognized by a U.S. holder in connection with the Offer. The possible alternatives include treating the U.S. holder as selling the Eligible Insured Securities to the Trust, rather than to FGIC; treating the U.S. holder as selling a portion of the Eligible Insured Securities to FGIC and retaining all of the remaining interest in the Eligible Insured Securities, without creating a partnership; treating the Offer as a consent solicitation with respect to Eligible Insured Securities that are treated as indebtedness for U.S. federal income tax purposes; or treating the Offer as a commutation of FGIC’s obligation to pay FGIC Policy Claim Payments in exchange for a fee paid by FGIC. Furthermore, in the event that the Offer is treated as giving rise to a sale, it is possible that a U.S. holder’s basis in the Eligible Insured Securities would be allocated in a manner different from that described above, including by reference to the relative fair market value of the

right to FGIC Policy Claim Payments (less related Reimbursement Amounts) compared to the right to other payments on the Eligible Insured Securities at the time of issuance of the Securities, or by allocating none of the U.S. holder's basis to the right to FGIC Policy Claim Payments under special rules applicable to insurance policies. As a result of these or other possible alternatives, a U.S. holder could be treated as realizing either capital gain or ordinary income in an amount equal to the cash paid by FGIC, as realizing a capital loss in an amount different from that described above or as realizing a loss that cannot be recognized under Code sections 267 or 707 (relating to sales to related parties) or as recognizing OID income over the remaining life of the Eligible Insured Securities in an amount that could be substantial.

Additionally, as discussed above in "*Risks Related to the Consideration Surplus Notes*," the IRS could assert that the Consideration Surplus Notes should be characterized as equity. If the IRS were to successfully assert that the Consideration Surplus Notes should be characterized as equity, U.S. holders would not be required to recognize any stated interest as ordinary income at the time it is paid or accrued on the Consideration Surplus Notes in accordance with the U.S. holder's method of accounting for U.S. federal income tax purposes. Rather, interest amounts that are paid would be treated as dividend income by the U.S. holder. Though dividend income is currently taxed at capital gains rates, the rate at which such income will be subject to tax in 2011 is highly uncertain, and such rate may in fact be the same as ordinary income rates beginning in 2011.

Potential holders of UCF Certificates and Consideration Surplus Notes are advised to consult their tax advisors concerning the U.S. federal, state, local, foreign or other tax consequences to them of the acquisition, ownership and disposition of the UCF Certificates and Consideration Surplus Notes.

Partnership Taxation. Assuming that each of the Trusts is classified as a partnership for U.S. federal income tax purposes, the Trusts will not be subject to U.S. federal income tax. Instead, each U.S. holder will be required to take into account separately such U.S. holder's allocable share of income, gains, losses, deductions and credits of the applicable Trust for any taxable year of the Trust ending within or with the U.S. holder's taxable year, without regard to whether the holder receives any distributions from such Trust in that year. Each Trust's income will consist primarily of interest accrued (including appropriate adjustments for any OID or market discount and bond premium), and any gain with respect to collection or disposition of the applicable Eligible Insured Securities. Each Trust's deductions will consist primarily of any losses or deductions upon, or with respect to, collection or disposition of the applicable Eligible Insured Securities. Each item of income, gain, loss, deduction, and credit of the Trusts will have the same character in the hands of a U.S. holder as in the hands of the applicable Trust. The Trusts will report on the basis that its taxable year is the calendar year. **Each U.S. holder will be obligated to provide the applicable Trust (and any nominee, to the extent such nominee is required by section 6031 of the Code to provide such information to the applicable Trust) annually, in writing, current and accurate information necessary for the applicable Trust to complete the Schedule K-1, including the U.S. holder's name, address, taxpayer identification number, and form of entity. Pursuant to Section 6.02(c) and 10.02(b) of the Standard Terms, each U.S. holder is required to provide the foregoing tax information for the current year on or before the Settlement Date.** Tax information will be provided to each U.S. holder within 90 days after the end of the applicable Trust's tax year.

Income, gains, losses, deductions and credits of the Trusts will be allocated among its partners for U.S. federal income tax purposes in accordance with the applicable Trust Agreement. Such allocations are intended to conform with existing Treasury regulations. The U.S. tax rules that apply to partnerships, however, are complex and their application is not always clear. If the allocations provided by the Trust Agreement were successfully challenged by the IRS, the amount of income or loss allocated to a U.S. holder for U.S. federal income tax purposes under the agreement could be increased or decreased, the timing of income or loss could be accelerated or deferred, or the character of the income or loss could be altered. It is also possible that in a given year a U.S. holder will be allocated income or gain that will be subject to tax in an amount in excess of the amount of cash (if any) distributed by the applicable Trust to such holder, thus requiring such holder to use funds from other sources to pay any tax liability arising from such allocation. Because the applicable partnership tax rules require that the Trust treat any contributed Eligible Insured Security with a built-in loss (i.e., a tax basis in excess of its fair

market value) as having a tax basis equal to its fair market value with respect to any U.S. holder that is a non-contributing partner with respect to such Eligible Insured Security, U.S. holders may recognize differences in the amount, timing or character of income allocated to them from what they would have had, had they not contributed the Eligible Insured Securities to the Trust.

Original Issue Discount and Market Discount on Eligible Insured Securities. Certain of the Eligible Insured Securities were issued or acquired with OID or market discount. In addition, the deemed sale by the Holder of a beneficial interest of a portion of the Eligible Insured Securities to FGIC in exchange for the Consideration Surplus Notes, cash and the Assigned Reimbursement Amounts allocated to the UCF Certificates may result in market discount accruing on the Eligible Insured Securities. When a partner contributes a debt instrument to a partnership in exchange for a partnership interest in a nonrecognition transaction, no new OID or market discount is created upon the contribution. Instead, the partnership steps into the shoes of the transferor with respect to OID and market discount. In general, a U.S. holder will be allocated OID in the amount equal to the OID accruing on the portion of the Eligible Insured Securities treated as contributed by the U.S. holder to the applicable Trust. The Trusts generally will be required to treat a portion of any gain on the sale or exchange of an Eligible Insured Security as ordinary income to the extent of the market discount accrued to the date of disposition, less any accrued market discount previously reported as ordinary income as partial distributions in reduction of the stated redemption price at maturity of the Eligible Insured Security were received. Any such ordinary income with respect to Eligible Insured Securities contributed by a U.S. holder will be allocated to the U.S. holder.

Distributions to U.S. holders. Cash distributions from the Trusts will not be taxable to a U.S. holder except to the extent they exceed the holder's adjusted tax basis in its UCF Certificates immediately before the distribution. The excess of a distribution over a U.S. holder's adjusted tax basis in its UCF Certificates will be taxable as long-term or short-term capital gain, depending on the holder's holding period for its UCF Certificates. No loss will be recognized by a U.S. holder upon the receipt of a distribution from the applicable Trust except where the distribution is a liquidating distribution consisting solely of cash and/or marketable securities within the meaning of Code section 731(c), and the amount of cash and the fair market value of marketable securities distributed is less than the U.S. holder's adjusted tax basis in its UCF Certificates immediately before the distribution. Any such gain or loss generally would be long-term capital gain or loss if the holding period of the UCF Certificates were more than one year, assuming that the UCF Certificates are held as capital assets.

Limitations on Losses and Deductions. In the event that losses or deductions are allocated to a U.S. holder, the following rules will apply. Any net loss for a year allocated to a U.S. holder for tax purposes may be deducted by that holder only to the extent of the "adjusted tax basis" of his UCF Certificates (calculated as described below under "*Disposition of UCF Certificates*"). Moreover, a taxpayer that is an individual, trust or estate may generally deduct miscellaneous itemized deductions only to the extent that they exceed two percent of the taxpayer's adjusted gross income for a taxable year. The amount of allowable itemized deduction is generally subject to a reduction, if an individual's adjusted gross income exceeds a certain threshold amount. Those limitations would apply to an individual U.S. holder's share of expenses of the applicable Trust and might result in such holder having taxable income that exceeds the amount of cash that the U.S. holder is entitled to receive over the life of the applicable Trust.

Disposition of UCF Certificates. Generally, upon a sale or other disposition of UCF Certificates, a U.S. holder will recognize capital gain or loss in an amount equal to the difference between the amount realized and the holder's adjusted tax basis in the UCF Certificates sold. Any gain attributable to market discount or to Eligible Insured Securities that are treated as equity in a passive foreign investment company ("PFIC") will be treated as ordinary income. The amount realized upon a sale of UCF Certificates would be the amount of any cash and the fair market value of any property received, plus the U.S. holder's share of any liabilities of the applicable Trust, including nonrecourse liabilities allocable to the U.S. holder. Assuming that the Offer in which a holder acquires a UCF Certificate is treated as described under "*—Intended Tax Treatment*," a U.S. holder's initial tax basis in a UCF Certificate will be equal to the portion of the Eligible Insured Securities that the Holder contributes to the applicable Trust. See "*—Intended Tax Treatment*," for rules regarding the determination of tax basis. A U.S. holder's initial tax basis in a UCF Certificate will be increased by the holder's distributive share of the applicable Trust's

taxable income and its share of any liabilities of the applicable Trust, and will be decreased (but not below zero) by its distributive share of the applicable Trust's deductions and losses, its share of any decreases in the applicable Trust's liabilities, its share of cash distributions from the applicable Trust, and its share of nondeductible expenditures of the applicable Trust that are not properly chargeable to capital account.

If a U.S. holder is required to recognize an aggregate amount of income (not including income attributable to disallowed miscellaneous itemized deductions described above) over the life of the UCF Certificates that exceeds the aggregate cash distributions with respect thereto, such excess will generally give rise to a capital loss upon the retirement of the UCF Certificates.

Disposition of Consideration Surplus Notes. A U.S. holder generally will recognize gain or loss upon the sale or other taxable disposition of the Consideration Surplus Notes equal to the difference between the amount realized (less accrued interest, which will be taxable as such) upon the sale, redemption or other taxable disposition and the U.S. holder's adjusted tax basis in the Consideration Surplus Notes. A U.S. holder's initial tax basis in the Consideration Surplus Notes generally will be equal to the issue price (i.e., either the face amount or the fair market value, as discussed in "*—Intended Tax Treatment*") of the Consideration Surplus Notes, subject to adjustment for OID and payments, other than payments of qualified stated interest, received with respect to the Consideration Surplus Note.

Any gain or loss recognized on a taxable disposition of the Consideration Surplus Note will be capital gain or loss. If, at the time of the sale, redemption or other taxable disposition of the Consideration Surplus Note, a U.S. holder is treated as holding the Consideration Surplus Note for more than one year, this capital gain or loss will be long-term capital gain or loss. Otherwise, this capital gain or loss will be short-term capital gain or loss. In the case of certain non-corporate U.S. holders (including individuals), long-term capital gain generally will be subject to a maximum U.S. federal income tax rate of 15%. The tax rate that will apply to long-term capital gains beginning on January 1, 2011 is highly uncertain. A U.S. holder's ability to deduct capital losses may also be limited.

Allocations Between Transferors and Transferees. In general, the Trusts' taxable income and losses will be determined monthly and any person who acquires a UCF Certificate from an existing holder will be treated as having acquired the UCF Certificate on the first day of the month. Section 706 of the Code generally requires that items of partnership income and deductions be allocated between transferors and transferees of partnership interests on a daily basis. It is possible that a transfer of a UCF Certificate could be considered to occur for U.S. federal income tax purposes when the transfer is completed as a legal matter without regard to the Trusts' monthly convention for allocating income and deductions. In that event, the Trusts' allocation method might be considered a monthly convention that does not literally comply with the requirements of Section 706 of the Code. If the Trusts' monthly convention is not allowed by the Treasury Regulations or if the IRS otherwise does not accept the Trusts' convention, the IRS may contend that taxable income or losses of each Trust must be reallocated among the holders of the shares. If such a contention were sustained, your income or loss allocation could be adjusted, possibly to your detriment. The Trustee is authorized at the direction of a majority of UCF Certificateholders to revise such Trust's method of allocation between transferors and transferees in order to comply with applicable law or to more accurately reflect the holders' interest in the Trust.

United States Federal Income Tax Consequences to Non-U.S. Holders

The tax treatment applicable to non-U.S. holders who acquire UCF Certificates and Consideration Surplus Notes is complex and will vary depending upon the particular circumstances of such non-U.S. holder. Each non-U.S. holder is urged to consult with its tax counsel concerning the U.S. federal, state and local, and foreign tax consequences of an investment in the UCF Certificates and Consideration Surplus Notes.

Tax Treatment of the UCF Certificates

The Trusts will conduct their activities so as not to be engaged in a trade or business in the United States. Provided that the Trusts are not so engaged, a non-U.S. holder will not be required to file U.S. federal income tax returns solely because of its investment in the UCF Certificates. Instead, the non-

U.S. holder will be subject to U.S. withholding tax on its distributive share of taxable income received by the applicable Trust, unless (i) the non-U.S. holder provides a properly executed IRS Form W-8BEN or W-8IMY, together with all appropriate attachments, identifying the non-U.S. holder as the beneficial owner of the UCF Certificates and stating that the holder is a non U.S. holder, and (ii) all of its distributive share of the applicable Trust's taxable income qualifies for the "portfolio interest" exemption from withholding tax, except with respect to Eligible Insured Securities that are treated as equity in a PFIC. The U.S. withholding tax rate generally is 30% on taxable interest and dividends, unless the non-U.S. holder is entitled to the benefits of an applicable tax treaty. If a non-U.S. holder does not provide the applicable IRS form described in this paragraph, the applicable Trust will withhold on a non-U.S. holder's distributive share of the applicable Trust's taxable income at a rate of 30%.

"Portfolio interest," which is interest paid on certain U.S. registered obligations, generally is exempt from U.S. withholding tax. A non-U.S. holder's distributive share of interest received by the applicable Trust will qualify as portfolio interest unless:

- the non-U.S. holder owns 10% or more of the voting power of the issuer of the Eligible Insured Security on which the interest is paid (or 10% of the capital or profits interest in a partnership issuer);
- the non-U.S. holder is a controlled foreign corporation with respect to which the issuer of the Eligible Insured Security is a "related person" within the meaning of section 864(d)(4) of the Code; or
- the non-U.S. holder is a bank receiving the interest pursuant to a loan agreement entered into in the ordinary course of its trade or business.

Substantially all of the Eligible Insured Securities are REMIC regular interests. According to the offering materials for the securities, the remainder of the Eligible Insured Securities are non-REMIC debt securities and equity interests in a PFIC. The Trusts are relying on the statements of the tax treatment of the Eligible Insured Securities in making its determination whether to withhold U.S. tax with respect to payments made on those securities. The Trusts intend not to withhold with respect to a non-U.S. holder's distributive share of interest income with respect to the Eligible Insured Securities that are REMIC regular interests as long as the non-U.S. holder does not own 10% or more of the voting power (or 10% or more of the capital or profits interest) of the issuer of the Eligible Insured Security and provides a properly executed IRS Form W-8BEN or W-8IMY, as discussed above.

In the case of Eligible Insured Securities that are non-REMIC debt securities, the Trusts will not withhold with respect to a non-U.S. holder's distributive share of interest income as long as the non-U.S. holder (i) does not own 10% or more of the voting power (or 10% or more of the capital or profits interest) of the issuer of the Eligible Insured Security, or (ii) is not a controlled foreign corporation with respect to which the issuer of the Eligible Insured Security is a "related person."

To the extent that Eligible Insured Securities are treated as equity in a PFIC, payments on corresponding UCF Certificates will not be subject to withholding tax. However, such non-U.S. holders may be subject to backup withholding tax if they fail to provide a properly executed and complete IRS Form W-8BEN or W-8IMY.

The Trusts may alter their withholding policy upon advice from counsel that Treasury regulations or interpretations thereof have increased the likelihood that withholding is required.

Tax Treatment of the Consideration Surplus Notes

Payment of Interest. The 30% U.S. federal withholding tax will not apply to any payment of interest (including any OID) on the Consideration Surplus Notes to a non-U.S. holder, provided that:

- interest paid on the Consideration Surplus Note is not effectively connected with the non-U.S. holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is not attributable to a U.S. permanent establishment);
- the non-U.S. holder does not actually or constructively own 10% or more of the total combined voting power of all classes of FGIC stock that are entitled to vote within the meaning of section 871(h)(3) of the Code;
- the non-U.S. holder is not a bank whose receipt of interest on a note is described in section 881(c)(3)(A) of the Code;
- the non-U.S. holder is not a controlled foreign corporation that is related to FGIC (actually or constructively) through stock ownership; and
- (1) the non-U.S. holder provides its name and address, and certifies, under penalties of perjury, that it is not a U.S. person (which certification may be made on an IRS Form W-8BEN or other applicable form) or (2) the non-U.S. holder holds the Consideration Surplus Notes through certain foreign intermediaries or certain foreign partnerships, and the non-U.S. holder and the foreign intermediary or foreign partnership satisfies the certification requirements of applicable U.S. Treasury regulations.

If a non-U.S. holder cannot satisfy the requirements described above, payments of interest will be subject to the 30% U.S. federal withholding tax, unless the non-U.S. holder provides a properly executed (1) IRS Form W-8BEN (or other applicable form) claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty or (2) IRS Form W-8ECI (or other applicable form) stating that interest paid on the Consideration Surplus Notes is not subject to withholding tax because it is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States. If a non-U.S. holder is engaged in a trade or business in the United States and interest on the Consideration Surplus Notes is effectively connected with the conduct of that trade or business and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment, then, although the non-U.S. holder will be exempt from the 30% withholding tax (provided the requirement to deliver an IRS Form W-8ECI, as discussed above, is satisfied), the non-U.S. holder will be subject to U.S. federal income tax on that interest on a net income basis in the same manner as if the non-U.S. holder were a U.S. holder. In addition, if a non-U.S. holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or a lesser rate as may be specified under an applicable income tax treaty) of its earnings and profits for the taxable year, subject to adjustments, that are effectively connected with its conduct of a trade or business in the United States.

Disposition of Consideration Surplus Notes. Gain realized by a non-U.S. holder on the sale, redemption, or other taxable disposition of the Consideration Surplus Notes will not be subject to U.S. federal income tax unless:

- that gain is effectively connected with a non-U.S. holder's conduct of a trade or business in the United States (and, if required by an applicable income treaty, is attributable to a U.S. permanent establishment); or
- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition and certain other conditions are met.

If a non-U.S. holder is described in the first bullet point above, it will be subject to tax on the net gain derived from the sale, redemption, conversion or other taxable disposition in the same manner as if the non-U.S. holder were a U.S. holder. In addition, if a non-U.S. holder is a foreign corporation that falls under the first bullet point above, it may be subject to the branch profits tax equal to 30% (or a lesser rate as may be specified under an applicable income tax treaty). If a non-U.S. holder is an individual described in the second bullet point above, such holder will be subject to a flat 30% tax on the gain derived from the

sale, redemption, conversion or other taxable disposition, which may be offset by U.S. source capital losses, even though such holder is not considered a resident of the United States.

Information Reporting and Backup Withholding. Generally, FGIC must report annually to the IRS and to non-U.S. holders the amount of interest paid to non-U.S. Holders and the amount of tax, if any, withheld with respect to those payments. Copies of the information returns reporting such interest and withholding also may be made available to the tax authorities in the country in which a non-U.S. holder resides under the provisions of an applicable income tax treaty.

In general, a non-U.S. holder will not be subject to backup withholding with respect to the payment of interest, provided the statement described above in the last bullet point under “—Payment of Interest” has been received and FGIC does not have actual knowledge or reason to know that the holder is a U.S. person, as defined under the Code, that is not an exempt recipient. In addition, a non-U.S. holder will be subject to information reporting and, depending on the circumstances, backup withholding with respect to payments of the proceeds of the sale of a Consideration Surplus Note within the United States or conducted through certain U.S.-related financial intermediaries, unless the statement described above has been received, and FGIC does not have actual knowledge or reason to know that a holder is a U.S. person, as defined under the Code, that is not an exempt recipient, or the non-U.S. holder otherwise establishes an exemption. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a non-U.S. holder’s U.S. federal income tax liability if the required information is furnished in a timely manner to the IRS.

Administrative Matters

Income on the UCF Certificates will be reported to holders on a Schedule K-1 to the applicable Trust’s annual partnership return separately reporting items of income, gain, deduction and loss. The Code provides for administrative examination of a partnership as if the partnership were a separate taxpayer. Under these audit procedures, the tax treatment of items of Trust income, gain, loss, deduction and credit would be determined at the Trust level in a unified proceeding rather than in separate proceedings with each holder of UCF Certificates. Generally, the statute of limitations for partnership items does not expire before three years after the date on which the partnership information return is filed. FGIC will be designated the “Tax Matters Partner” for each Trust and, as such, will be designated to receive notice on behalf of the holder of UCF Certificates, to provide notice to those holder of UCF Certificates not receiving notice from the IRS, and to represent such holders in any dispute with the IRS. Any adverse determination following an audit of the return of a Trust by the appropriate taxing authorities could result in an adjustment of the returns of the holder of UCF Certificates, and while the holder of UCF Certificates may participate in any adjudicative process that is undergone at the Trust level in arriving at such a determination, such holders will be precluded from separately litigating any proposed adjustment to the items of the Trust. In the absence of a proceeding at the Trust level, holder of UCF Certificate under certain circumstances may pursue a claim for credit or refund on its own behalf by filing a request for administrative adjustment of a Trust item. Each holder of UCF Certificate is advised to consult its own tax adviser with respect to the impact of these procedures on its particular circumstances.

Recent Legislative Developments Potentially Affecting Taxation of Trust Certificates and Consideration Surplus Notes Held By or Through Non-U.S. Entities

Recently enacted legislation could impose a withholding tax of 30% on dividend income and the gross proceeds from the disposition of UCF Certificates or Consideration Surplus Notes, as applicable, if the UCF Certificates or Consideration Surplus Notes are characterized as equity for U.S. federal income tax purposes and are held by a foreign financial institution, unless such institution enters into an agreement with the U.S. government to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution. This legislation could also impose a withholding tax of 30% on dividend income and gross proceeds from a disposition of the UCF Certificates or Consideration Surplus Notes if the UCF Certificates or Consideration Surplus Notes are characterized as equity for U.S. federal income tax purposes and such amounts are paid to a non-financial foreign entity unless such entity provides the withholding agent with a certification identifying the direct and indirect U.S. owners of the entity. Investors are encouraged to consult with their own tax advisors regarding the

possible implications of this legislation on their investment in the UCF Certificates and Consideration Surplus Notes.”

State, Local and Foreign Tax Consequences

The paragraph on page 80 of the Offer to Exchange is amended and restated in its entirety as follows:

“In addition to the U.S. federal income tax consequences described under “*Certain United States Federal Income Tax Consequences*” herein, potential investors should consider the state, local and foreign tax consequences of the acquisition, ownership, and disposition of the UCF Certificates and Consideration Surplus Notes. State tax law may differ substantially from the corresponding federal tax law, and the discussion above does not purport to describe any aspect of the tax laws of any state or other jurisdiction. Therefore, prospective investors should consult their own tax advisors with respect to the various tax consequences of an investment in the UCF Certificates and Consideration Surplus Notes.”

SELECTED AND PRO FORMA FINANCIAL INFORMATION OF FGIC

Information Regarding FGIC's Financial Position in the Event the Offer Is Consummated

On pages 88 and 89 of the Offer to Exchange, the financial information in the table, pro forma adjustments and related footnotes are amended and restated as follows to reflect the issuance of the Consideration Surplus Notes and for certain other projected activity for the three months ended June 30, 2010:

(in millions)	Reported as of March 31, 2010	Adjustments (a)		Pro forma as of March 31, 2010	Q2 Projected Activity (f)		Projected Pro forma as of June 30, 2010
Assets							
Cash and Investments	\$1,777.1	(1,023.0)	(b)				
		(33.0)	(c)				
		(56.0)	(d)				
		(146.0)	(e)		45.0	(g)	
Cash and Investments	1,777.1	(1,258.0)		\$519.1	45.0		564.1
Investment in subsidiaries		82.0	(e)	82.0			82.0
Other assets	29.8	64.0	(e)	93.8	1.4	(g)	95.2
Total assets	1,806.9	(1,112.0)		694.9	46.4		741.3
Liabilities							
Losses and loss adjustment expenses	\$2,968.3	(2,922.0)	(b)	46.3			46.3
Contingency reserves	205.9	(29.0)	(b)	176.9	29.0	(h)	205.9
Unearned premium, net of reinsurance	241.5			241.5	(5.0)	(g)	236.5
Other liabilities	31.6			31.6	1.0	(g)	32.6
Total liabilities	3,447.3	(2,951.0)		496.3	25.0		521.3
Consideration Surplus Notes	0.0	600.0	(b)				600.0
Redeemable Preferred Stock	300.0						300.0
Common Stock	15.0						15.0
Paid in Surplus	439.8						439.8
Unassigned (deficit) surplus	(2,395.2)	1,328.0	(b)				
		(33.0)	(c)		50.4	(g)	
		(56.0)	(d)		(29.0)	(h)	(1,134.8)
Policyholders' (deficit) surplus	(1,640.4)	1,839.0		198.6	21.4		220.0
Total liabilities and policyholders' (deficit) surplus	\$ 1,806.9	\$1,112.0		\$694.9	46.4		741.3

(a) This column includes adjustments that give effect on a SAP basis to the transactions contemplated by the Offer, the CDS Counterparty Agreement, the Other CDS Counterparty Agreement and other contemplated restructuring transactions projected to be completed by FGIC and/or the Offeror as if they had occurred as of March 31, 2010. These adjustments include assumptions that the Superintendent confirms FGIC's proposed accounting treatment of various matters, including loss and contingency reserves on the Eligible Insured Securities that have been tendered and accepted into the Offer, issuance of Consideration Surplus Notes for consideration other than cash or acceptable admitted assets and the other contemplated restructuring transactions.

(b) These entries reflect the completion of (i) the Offer and (ii) other contemplated restructuring transactions projected to be completed by FGIC and the Offeror, consensual transactions to commute, terminate, restructure or reinsure FGIC's exposure to 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. These entries reflect the Consideration Surplus Notes projected to be issued in connection with the foregoing transactions. These entries also reflect the impact of FGIC paying the claims that it has received but not paid through March 31, 2010 due to the NYID Order, using the assumption that the NYID Order will be lifted at the time of closing the Offer and the claims will be paid

on such date. FGIC's projected pro forma loss reserves at June 30, 2010 relate predominately to RMBS transactions net of anticipated recoveries on claims previously paid.

- (c) These entries reflect payment of Alternative Minimum Tax ("AMT") recognized on the taxable income generated in connection with the completion of the transactions described in (b) above.
- (d) These entries reflect payment of estimated costs associated with effectuating the Surplus Restoration Plan initiatives, including the transactions described in (b) above.
- (e) These entries reflect the consummation of the transactions under the CDS Counterparty Agreement and the Other CDS Counterparty Agreement, including the capitalization of Drop-Down Company, the assumption reinsurance and novation of the Covered Policies from FGIC to Drop-Down Company, as well as the capitalization of a non-insurance company subsidiary contemplated by the Other CDS Counterparty Agreement. For purposes of this presentation, investment in subsidiaries includes the paid in capital and any surplus notes issued by Drop-Down Company to FGIC and the paid in capital related to the capitalization of such non-insurance company subsidiary. The pro forma presentation also assumes the Superintendent's approval of FGIC's recognition of its investment in Drop-Down Company (and other newly-formed subsidiaries) and the experience refund recoverables as admitted assets to the extent it would otherwise be limited under the Insurance Law.
- (f) This column includes certain activity that is projected to occur in the quarter ending June 30, 2010. These adjustments include assumptions that there is no further adverse loss development, and no improvement or other change, in the FGIC insured portfolio as of June 30, 2010 as compared to March 31, 2010 (after giving pro-forma effect to the completion of the transactions described in notes (b)-(e) above), nor is any effect given to claims made or to be made with respect to the second quarter of 2010. In addition, these adjustments assume the Superintendent confirms FGIC's proposed accounting treatment of various matters, including loss and contingency reserves on the Eligible Insured Securities that have been tendered and accepted into the Offer and the other contemplated restructuring transactions projected to be completed by FGIC.
- (g) These entries reflect net income projected to be generated in the normal course of operations (excluding income or expenses generated by the completion of the transactions described in (b)-(e) above) during the second quarter of 2010. This includes projected premium earnings, investment income, and operating expenses after giving effect to such transactions. It is assumed that there are no additional loss expenses incurred during the second quarter of 2010.
- (h) These entries reflect projected increases in mandatory contingency reserves during the second quarter of 2010.

The pro forma adjustments and projected activity in the above table reflect certain assumptions by FGIC. These assumptions include, but are not limited to: (i) assumptions identified in the notes to the tables above, as applicable, (ii) approximately 72% of the aggregate Unpaid Principal Balance outstanding of all Eligible Insured Securities are tendered and accepted into the Offer, (iii) the consensual commutation, termination, restructuring, and remediation of certain distressed FGIC insured transactions on terms that reduce FGIC's exposure to potential losses and increase its statutory surplus, (iv) the Superintendent's confirmation of FGIC's statutory accounting treatment of various matters, including loss and contingency reserves on the Eligible Insured Securities that have been tendered and accepted into the Offer, issuance of the Consideration Surplus Notes for consideration other than cash or acceptable admitted assets, FGIC's recognition of its investment in Drop-Down Company (and other newly-formed subsidiaries) and the other remediation efforts projected to be completed by FGIC and (v) utilization of net operating loss carryforwards to offset income generated in connection with the Offer and other loss mitigation transactions referred to above. There can be no assurance that the assumptions underlying the pro forma financial information herein will not differ from actual results and any differences may be material.

NEW FGIC DIRECTOR

As of the date of this Supplement, Mr. Chetan Mehta has replaced Mr. Eli Nagler as one of the Blackstone-designated directors on the FGIC Board. Mr. Nagler's biography is deleted and replaced by Mr. Mehta's biography on page 115 of the Offer to Exchange as follows:

"Chetan Mehta has served as a Director of FGIC since June 2010, and is a member of the Private Equity Group at The Blackstone Group. He is involved in Blackstone's investments in the financial sector. Mr. Mehta received an AB in Economics and Mathematics with High Honors from Dartmouth College, where he graduated magna cum laude."

REVISED REGULATION SECTION

The following paragraphs are inserted on page 131 of the Offer to Exchange:

“Restrictions on Payment of the Consideration Surplus Notes. The Consideration Surplus Notes are issued by FGIC pursuant to Section 1307 of the Insurance Law. In accordance with Section 1307 of the Insurance Law, the repayment of principal and any payment of interest on the Consideration Surplus Notes may only be made out of FGIC’s free and divisible surplus and with the prior approval of the Superintendent, whenever in the Superintendent’s judgment the financial condition of FGIC warrants. In the event the Superintendent fails to approve the repayment of principal or any payment of interest on the Consideration Surplus Notes, the holders of the Consideration Surplus Notes may only be able to seek a remedy against the Superintendent under Article 78 of the New York Civil Practice Law and Rules. Disputes relating to the Superintendent would likely be governed by New York law and would be subject to the jurisdiction of the courts of the State of New York.

Subordination of the Consideration Surplus Notes. The holders’ right to payments of interest and repayments of principal under the Consideration Surplus Notes will be subordinate to claims under insurance policies issued by FGIC and to all other creditor claims except the claims of shareholders, as set forth in clauses (i) through (vii) of Paragraph (a)(1) of Section 7434 of the Insurance Law (or any successor statute, in each case as the same may be amended or modified from time to time).”

ANNEX G: FORM OF CONSIDERATION SURPLUS NOTE

TO BE SUBMITTED TO THE SUPERINTENDENT FOR APPROVAL

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SURPLUS NOTES IN DEFINITIVE FORM, THIS SURPLUS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE (I) BY THE DEPOSITORY TRUST COMPANY ("DEPOSITORY") TO A NOMINEE OF THE DEPOSITORY, (II) BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY OR (III) BY THE DEPOSITORY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY. UNLESS THIS SURPLUS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SURPLUS NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DEPOSITORY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN:

THIS SURPLUS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND THIS SURPLUS NOTE MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM AND IN ACCORDANCE WITH THE FISCAL AGENCY AGREEMENT, COPIES OF WHICH ARE AVAILABLE FOR INSPECTION AT THE CORPORATE TRUST OFFICE OF THE FISCAL AGENT. EACH PURCHASER OF THIS SURPLUS NOTE IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON, AND THAT SUBSEQUENT SALES MAY ALSO ONLY BE MADE PURSUANT TO, THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER (TOGETHER WITH ANY SUCCESSOR PROVISION THERETO AND AS MAY BE AMENDED FROM TIME TO TIME, "RULE 144A").

PAYMENTS OF PRINCIPAL AND INTEREST ON THIS NOTE MAY ONLY BE MADE OUT OF THE ISSUER'S FREE AND DIVISIBLE SURPLUS AND WITH THE PRIOR APPROVAL OF THE SUPERINTENDENT OF INSURANCE OF THE STATE OF NEW YORK (THE "SUPERINTENDENT"), IN ACCORDANCE WITH SECTION 1307 OF THE NEW YORK INSURANCE LAW (TOGETHER WITH ANY SUCCESSOR PROVISION, AND AS MAY BE HEREAFTER AMENDED FROM TIME TO TIME, "SECTION 1307"). THE SUPERINTENDENT MAY DETERMINE, PURSUANT TO SECTION 1307, WHETHER THE FINANCIAL CONDITION OF THE ISSUER WARRANTS THE MAKING OF SUCH PAYMENTS. THERE ARE NO GUIDELINES OR INTERPRETATIONS AS TO THE EXTENT OF THE SUPERINTENDENT'S DISCRETION UNDER SECTION 1307 IN DETERMINING WHETHER THE FINANCIAL CONDITION OF THE ISSUER WARRANTS THE MAKING OF SUCH PAYMENTS.

THIS SURPLUS NOTE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR U.S. FEDERAL INCOME TAX PURPOSES. FOR FURTHER INFORMATION, PLEASE CONTACT [_____].

4% SURPLUS NOTE

[\$AMOUNT]

June __, 2010

FOR VALUE RECEIVED, Financial Guaranty Insurance Company, a New York domiciled financial guaranty insurance corporation (the "**Issuer**"), hereby promises to pay, subject to the approval of the Superintendent (as defined below) pursuant to Section 1307 of the New York Insurance Law (together with any successor provision, and as may be hereafter amended from time to time, "**Section 1307**"), to the order of [] (the "**Holder**") in lawful money of the United States of America, the principal sum of [AMOUNT] (\$[AMOUNT]) plus any amounts capitalized pursuant to Section 2.2(b) hereof, on the Maturity Date (as defined below) together with interest in arrears on the unpaid principal balance at an annual rate equal to the Applicable Rate (as defined below).

This Surplus Note is one of a duly authorized issue of the Issuer's 4% Surplus Notes scheduled to mature on June 30, 2025 (herein called the "**Surplus Notes**"). The Issuer and Citibank, N.A., as **fiscal agent** (the "**Fiscal Agent**"), have entered into a Fiscal Agency Agreement, dated as of June __, 2010 (such agreement, as it may be duly amended from time to time, is herein called the "**Fiscal Agency Agreement**"), which provides for the mechanism for issuing the Surplus Notes and, *inter alia*, sets forth certain duties of the Fiscal Agent in connection therewith. As used herein, the term "Fiscal Agent" includes any successor fiscal agent under the Fiscal Agency Agreement. Copies of the Fiscal Agency Agreement are on file and available for inspection at the corporate trust office of the Fiscal Agent in [LOCATION]. The Holder is referred to the Fiscal Agency Agreement for a statement of the terms thereof, including those relating to transfer, payment, exchanges and certain other matters. The Fiscal Agent or any Paying Agent (as defined in the Fiscal Agency Agreement) shall also act as a transfer agent and Registrar (as defined in the Fiscal Agency Agreement) for the Surplus Notes.

The Surplus Notes are direct and unsecured obligations of the Issuer and, subject to the payment restrictions contained in Section 2.4 hereof (the "**Payment Restrictions**"), are scheduled to mature on the Maturity Date. Section 1307 provides, among other things, that the Surplus Notes are not part of the legal liabilities of the Issuer and are not a basis of any set-off against the Issuer. However, until repaid, all statutory financial statements published by the Issuer or filed with the Superintendent shall show, as a footnote, the amount thereof then remaining unpaid.

1. Definitions

The following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"**Applicable Rate**" means a rate of interest equal to 4% per annum.

"**Business Day**" means any day other than a Saturday, Sunday or any other day on which banking institutions are authorized or required by law or executive order to close in New York, New York.

"**Interest Payment Date**" means June 30 of each year, commencing in June 2011.

"**Interest Period**" means the initial period from (and including) June __, 2010 to (but excluding) the first Interest Payment Date, and each successive one-year period thereafter from (and including) an Interest Payment Date to (but excluding) the following Interest Payment Date. For the avoidance of doubt, all references in this Surplus Note to the "last day" of any Interest Period shall be construed to refer to the day on which such Interest Period ends (but which is excluded from such Interest Period pursuant to this definition).

"**Maturity Date**" means June 30, 2025.

"**Payment Restrictions**" shall have the meaning assigned to such term in the first sentence of Section 2.4 hereof.

"**Required Holder Consent**" means either (i) the written consent of the holders of at least a majority in aggregate outstanding principal amount of the Surplus Notes or (ii) the affirmative vote by the holders of at least a majority in aggregate outstanding principal amount of the Surplus Notes at a meeting of holders held pursuant to the Fiscal Agency Agreement at which a quorum (determined in accordance with the Fiscal Agency Agreement) is present.

"**Superintendent**" means the Superintendent of Insurance of the State of New York, or a governmental officer, body, or authority as may after the date hereof succeed the Superintendent of Insurance of the State of New York as the primary regulator of the Company's financial condition under applicable law.

"**Surplus Note**" means this Surplus Note.

Terms used herein which are defined in the Fiscal Agency Agreement but not otherwise defined herein shall have the meanings assigned to such terms in the Fiscal Agency Agreement.

2. **Payments**

(a) Principal.

(i) Notwithstanding anything herein to the contrary, but subject to the Payment Restrictions, the outstanding principal balance of this Surplus Note shall be paid in full in cash on the Maturity Date, together with all accrued and unpaid interest thereon.

(ii) Subject to the Payment Restrictions, the Issuer, in its discretion at any time, may prepay all or any part of the accrued but unpaid interest on and principal balance of this Surplus Note without penalty. Any amounts so paid hereunder shall first be applied to all interest that has accrued on this Surplus Note but remains unpaid as of the date of such payment and any amounts that remain shall then be applied to the principal balance of this Surplus Note.

(b) Interest.

(i) The outstanding principal amount of this Surplus Note shall accrue simple interest computed annually in arrears from the date of this Surplus Note until the date such principal amount is paid at a rate per annum equal to the Applicable Rate. Interest on the unpaid principal balance of this Surplus Note shall be due and payable (subject to the Payment Restrictions) in arrears on each Interest Payment Date; provided, however, that on each of the first four (4) Interest Payment Dates the interest that accrued for the immediately preceding Interest Period shall not be payable in cash, but instead shall be capitalized as additional principal hereof. Any such capitalized interest shall be added to the principal amount of this Surplus Note as of such Interest Payment Date and thereafter interest shall accrue on such additional principal amount at the same rate and in the same manner, and shall be payable at the same times and in the same manner, as the initial principal amount of this Surplus Note. Interest on this Surplus Note shall be calculated for the actual number of days elapsed in the applicable Interest Period and shall be computed on the basis of a 365-day year.

(ii) Interest shall accrue at the Applicable Rate on any amounts (principal or interest) that become payable under this Surplus Note and are not paid when due or that would have become payable but for the Payment Restrictions not having been satisfied.

(c) Method of Payment. All payments of any amounts payable hereunder by the Issuer to the Holder shall be made in U.S. dollars, without deduction, set-off or counterclaim, in accordance with the Fiscal Agency Agreement to the Paying Agent, which shall in turn pay such amounts to the Holder in accordance with the Fiscal Agency Agreement by wire transfer in immediately available funds to the bank account as shall be specified by the Holder from time to time by written notice to the Fiscal Agent, not later than 1:00 P.M. (New York time) on the Interest Payment Date or Maturity Date, as applicable (subject to the Payment Restrictions). Whenever any payment hereunder shall be stated to be due on a day that is not a Business Day, then that payment shall be due on the next succeeding Business Day.

(d) Payment Restrictions. Notwithstanding anything to the contrary set forth herein, (i) all payments of principal and interest hereunder shall be made only out of free and divisible surplus of the Issuer and (ii) any payment of interest or principal (including upon acceleration and redemption) may be made only with the prior approval of the Superintendent in accordance with Section 1307 (the "**Payment Restrictions**"). In the event the Company receives the approval of the Superintendent for any payment of interest on or principal of the Surplus Notes after the relevant Interest Payment Date or the Maturity Date, as applicable, the Issuer will notify the Fiscal Agent thereof within two (2) Business Days following such receipt, and the Fiscal Agent will in turn notify or cause to be notified the Holders of the same within two (2) Business Days following its receipt of such notice from the Issuer, and the officers of the Company shall schedule a Payment Date that shall be thirty-five (35) days following the date of the Superintendent's approval of such payment or if such date is not a Business Day, then the next succeeding Business Day.

3. Covenant. Without prior Required Holder Consent, the Issuer shall not pay any dividend or distribution on, or make any redemption or repurchase of, any class of stock of the Issuer at any time when the principal of this Surplus Note shall not have been repaid in full, together with all accrued interest thereon.

4. Acceleration. There shall be no acceleration of the payment of the principal of this Surplus Note or any accrued interest or other amounts due hereunder in any circumstance; provided, however, that upon the entry of a judicial order appointing the Superintendent (or his designee) as rehabilitator or liquidator of the Issuer, which order is not dismissed, withdrawn or overturned within thirty (30) days after the date it is issued, this Surplus Note and all amounts owed hereunder shall immediately become due and payable without any demand or action of any kind on the part of the Fiscal Agent or the Holder or any other person. Notwithstanding such acceleration of this Surplus Note and other amounts, the Payment Restrictions and any restrictions imposed as a consequence of, or pursuant to, such rehabilitation or liquidation proceedings shall apply.

5. Subordination of this Surplus Note. The Holder's right to payments of interest and repayments of principal under this Surplus Note shall be subordinate to the obligations of the Issuer set forth in clauses (i) through (vii) of Paragraph (a)(1) of Section 7434 of the New York Insurance Law (or any successor statute, in each case as the same may be amended or modified from time to time).

6. Miscellaneous.

(a) Successors. This Surplus Note, and all of the covenants and conditions herein contained, shall be binding upon and inure to the benefit of the Holder and the Issuer and their respective successors.

(b) Assignment. The Issuer may not assign this Surplus Note or any of its obligations hereunder to any other person or entity. The Holder may only sell, assign, exchange or transfer this Surplus Note in accordance with the terms of, and subject to the conditions set forth in, the Fiscal Agency Agreement.

(c) Persons Deemed Owners. Except as otherwise provided in the Fiscal Agency Agreement, the registered Holder may be treated as the owner for all purposes.

(d) Waiver of Presentment. The Issuer hereby expressly waives presentment, protest, demand and notice of dishonor or default, notice of intent to demand payment hereof, or in collecting, grace and notice of any kind with respect to this Surplus Note or performance of the obligations thereunder, except as are expressly provided in this Surplus Note.

(e) Governing Law. This Surplus Note, and the rights and obligations of the Issuer and the Holder hereunder, shall be construed in accordance with, and governed by, the laws of the State of New York, including the provisions of Section 1307.

(f) Marshalling; Payments Set Aside. The Issuer shall be under no obligation to marshal any assets in favor of the Holder or any other person or entity. To the extent that the Issuer is credited with any payment and such payment or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a rehabilitator or liquidator or any other party under applicable insolvency or receivership law, common law or equitable cause, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment has not been made.

(g) Request of Fiscal Agency Agreement. The Issuer will furnish to any Holder upon written request and without charge a copy of the Fiscal Agency Agreement. Request may be made to:

Financial Guaranty Insurance Company
125 Park Avenue
New York, New York 10017
Attention: General Counsel
Facsimile: (212) 312-3221

(h) Waivers, Etc. Subject to prior Required Holder Consent, the terms of this Surplus Note may be waived, altered or amended only by an instrument in writing duly executed by the Issuer. Any such amendment, alteration or waiver shall be binding upon the Holder and the Issuer. No amendment, release or modification of the provisions of this Surplus Note shall be established by conduct, custom or course of dealing.

(i) Severability. The invalidity, illegality, or unenforceability in any jurisdiction of any provision of this Surplus Note shall not affect or impair the remaining provisions of this Surplus Note.

(j) Headings. The section and paragraph headings contained in this Surplus Note are included for convenience of reference only and shall not have any effect on the construction or interpretation of the content of this Surplus Note.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Issuer hereto has caused this Surplus Note to be executed as of the day and year first above written.

ATTEST:

FINANCIAL GUARANTY INSURANCE
COMPANY

ISSUER

By: _____

Name: _____

Title _____

CERTIFICATE OF AUTHENTICATION

This is the global Surplus Note due 2025 referred to in the Fiscal Agency Agreement, dated as of June __, 2010, between Financial Guaranty Insurance Company and Citibank, N.A.

CITIBANK, N.A.,
as Fiscal Agent

By: _____
Authorized Signatory

Dated:

Appendix B

Results of Exchange Offer for Certain Securities Insured by Financial Guaranty Insurance Company ("FGIC") as of September 30, 2010 Announced

NEW YORK, October 1, 2010 – Sharps SP I LLC (the "Offeror") today announced the results of its offer to exchange residential mortgage-backed securities and asset-backed securities insured by Financial Guaranty Insurance Company (collectively, the "Eligible Insured Securities") and the status of certain discussions with holders of Eligible Insured Securities as of September 30, 2010. As of September 30, (i) Eligible Insured Securities representing \$2,572,480,485 in current unpaid principal balance measured as of April 30, 2010 have been tendered into the offer, (ii) non-binding agreements have been reached by the Offeror and/or FGIC and Eligible Insured Securities holders to tender Eligible Insured Securities totaling \$1,021,855,444 in aggregate current unpaid principal balance measured as of April 30, 2010, and (iii) letters of transmittal have been completed, although the Eligible Insured Securities have not yet been delivered, with respect to Eligible Insured Securities totaling \$872,354,769 in current unpaid principal balance measured as of April 30, 2010. The aggregate current unpaid principal balance of the Eligible Insured Securities referenced in clauses (i), (ii) and (iii) of the preceding sentence represent 43.2% of all Eligible Insured Securities subject to the exchange offer.

###

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

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

About FGIC

FGIC is a wholly owned subsidiary of FGIC Corporation, an insurance holding company that filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code in August 2010. Please visit www.fgic.com for more information.

Investor and Media Contacts:

Investor Relations:

+1 212.312.2776

Press Relations:

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FORWARD-LOOKING STATEMENTS

This press release contains "forward-looking statements" – that is, statements related to possible future events. Forward-looking statements often address expectations and beliefs as to future performance, results and business plans. You should not place undue reliance on forward-looking statements because they speak only as of the date they are made and are necessarily subject to risks and uncertainties that could cause actual results and performance to differ materially from those expressed or implied by such forward-looking statements. Among the factors that could cause FGIC's actual results or performance to differ are, without limitation: (1) FGIC's ability to close the offer within the time frame and on the terms required by the New York State Insurance Department ("NYID") or otherwise; (2) FGIC's current negative policyholders' surplus and FGIC's ability to restore and maintain the statutory required minimum policyholders' surplus even if it closes the offer and other contemplated restructuring transactions; (3) the extent to which FGIC is able to pursue and achieve other strategic alternatives, either with or without the participation of potential investors and other third parties; (4) the results of FGIC's other loss mitigation efforts, including FGIC's ability to consummate contemplated transactions with certain counterparties on certain credit default swaps and other obligations insured by FGIC; (5) a decision by the NYID or FGIC's other regulators to take further regulatory action such as rehabilitation or liquidation of FGIC by the NYID at any time due to FGIC's current failure to maintain the statutory required minimum policyholders' surplus or otherwise; (6) legislative and regulatory developments within the United States and abroad, including the effect of new pronouncements by accounting authorities; (7) fluctuations in the economic, credit, interest rate or other environments in the United States or abroad; (8) potential consequences

of FGIC's continued suspension of claim payments or FGIC's inability to recommence claim payments or other delay in its recommencement of claim payments in full of due and unpaid amounts under its policies, such as the risk of defaults under FGIC-insured credit default swaps, non-payment of premiums and other amounts owed to FGIC and possible limitations on FGIC's rights under other agreements; (9) the impact on FGIC, including its ownership, operations and management, due to FGIC Corporation's filing under Chapter 11 of the U.S. Bankruptcy Code; (10) higher losses on FGIC-insured obligations due to deterioration in the performance of residential mortgage loans or otherwise; (11) possible defaults and/or additional ratings downgrades or other adverse actions with respect to mortgage-backed securities or other obligations insured by FGIC; (12) the commencement of new litigation or the outcome of current and new litigation; (13) further deterioration in general economic conditions, including as a result of the financial crisis as well as inflation, interest rates, foreign currency exchange rates and other factors and the effects of disruption or economic contraction due to catastrophic events or terrorist acts; and (14) other risks and uncertainties that have not been identified by FGIC at this time. Forward-looking statements are based upon FGIC management's current expectations and beliefs concerning future events. FGIC undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

Appendix C

REINSURANCE AGREEMENT

THIS REINSURANCE AGREEMENT (this "Agreement"), is dated as of September 30, 2008 (the "Closing Date"), by and between **Financial Guaranty Insurance Company**, a New York domiciled insurance corporation (the "Company") and **MBIA Insurance Corporation**, a New York insurance corporation (the "Reinsurer").

In consideration of the mutual covenants and upon the terms and conditions set forth in this Agreement, the Company and the Reinsurer (each a "Party" and together the "Parties") hereby agree as follows:

1. Definitions. The following terms shall have the respective meanings set forth below throughout the Agreement:

(a) "Affiliate" means, with respect to any particular Person, any other Person which, directly or indirectly, controls or is controlled by or under common control with such particular Person. A Person will be "controlled by" any other Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, contract, or otherwise.

(b) "Agreement" shall have the meaning set forth in the preamble.

(c) "Allocated Loss Adjustment Expenses" means: (i) out-of-pocket expenses and costs incurred or sustained in connection with mitigation, investigation, adjustment, settlement, workout, defense and litigation of claims and suits, satisfaction of judgments and other awards, resistance to or negotiations concerning a Loss or potential Loss, (ii) external legal and other out-of-pocket expenses and costs incurred or sustained in connection with (A) coverage questions regarding specific claims and legal actions, including declaratory judgment actions, connected thereto, (B) Loss or potential Loss prevention, mitigation or investigation in respect of any Covered Policies, (C) the investigation or workout of a Loss or potential Loss, or (D) the protection, perfection and exercise of any subrogation or salvage or reimbursement rights or security interests relating to any Covered Policies, (iii) all interest on judgments other than prejudgment interest when added to a judgment, and (iv) external legal and other out-of-pocket expenses and costs incurred or sustained to obtain recoveries, salvages or other reimbursements, or to secure the reversal or reduction of a verdict, judgment or award. Allocated Loss Adjustment Expenses shall not include salaries paid to employees of the Company or overhead of the Company or the costs of any third party under Section 7(b).

(d) "Bondholder" shall have the meaning set forth in Section 13(a).

(e) "Business Day" means any day other than a day on which banks in the State of New York are permitted or required to be closed.

(f) "Closing Date" shall have the meaning set forth in the preamble.

(g) “Closing Date UPR” means the aggregate net unearned premium reserves of the Covered Policies as shown on Exhibit A, determined using the column headed “Projected Net STAT UPR 9/30/08”.

(h) “Commutation” means the commutation of Third Party Reinsurance other than pursuant to the terms of the agreement for such Third Party Reinsurance with the consent of the Reinsurer if such commutation would require the Reinsurer to receive less money, pay any additional amount or incur any additional liability than it would have had to pay or incur under a Recapture if a Recapture of such agreement were available. “Commute” shall have a corollary meaning.

(i) “Company” shall have the meaning set forth in the preamble.

(j) “Company Information” shall have the meaning set forth in Section 16(b).

(k) “Conservator” shall have the meaning set forth in Section 13(b).

(l) “Covered Policy” shall mean each Policy listed on Exhibit A attached hereto to the extent such Policy remains in force on the Closing Date, as Exhibit A may be amended after the date hereof pursuant to Section 6(g), and (i) will include Refinancing Policies issued after the date of the Master Agreement and prior to the Closing Date, with the consent of the Reinsurer as required by, and in accordance with, the Master Agreement, but (ii) will not include (A) any Policy which is terminated or cancelled, or for which the insured securities or obligations have been repaid, defeased or redeemed, on or prior to the Closing Date, without regard to when or whether the Company receives notice thereof and (B) those Policies removed pursuant to Section 6(c)(i) of the Master Agreement. Except with respect to the Policies listed on Exhibit A-2 hereto, if a Policy insures a gross par in force amount as of the Effective Date that is greater than the amount listed on Exhibit A, then the reinsurance provided hereunder shall extend only up to the gross par in force amount listed on Exhibit A (net of Third Party Reinsurance (other than Covered Third Party Reinsurance) related thereto) and scheduled interest or other payments or accretion corresponding to such gross par amount (net of Third Party Reinsurance (other than Covered Third Party Reinsurance) related thereto). For the avoidance of doubt, for Policies with amounts listed under the heading “Final Maturity Value - Including CIBs and CABs”, the coverage hereunder shall extend up to the amount of the Final Maturity Value listed on Exhibit A. Notwithstanding its inclusion in Exhibit A, Exhibit A-1 or Exhibit A-2, a Policy shall not be included as a Covered Policy hereunder if (1) it insures other than a US Muni Risk, (2) unless listed on Exhibit A-1 or added in accordance with clause (i) above, it insures a risk written after December 31, 2007, (3) it provides for installments of premiums receivable by the Company after the Effective Date, (4) it insures a risk that is rated, as of the Effective Date, below BBB- by S&P or Baa3 by Moody’s, (5) the Company has established a loss reserve for such Covered Policy as of the Effective Date, (6) it is, or insures a risk written, in the form of a credit default swap, (7) it insures securities backed by pools of assets, mortgages, corporate debt or credit default swaps, or (8) it provides reinsurance.

(m) "Covered Third Party Reinsurance" means the Third Party Reinsurance listed on Exhibit B attached hereto unless and until the reinsurer thereunder shall have consented to the transactions contemplated by this Agreement and shall have delivered a Services Consent (as defined in the Master Agreement).

(n) "Effective Date" shall have the meaning set forth in Section 4.

(o) "Eligible Securities" shall have the meaning set forth in Section 8(b).

(p) "Extra Contractual Obligations" means all liabilities (i) for compensatory, consequential, exemplary, punitive or similar damages which directly relate to any alleged or actual act, error, omission, fraud or misrepresentation by any Person, any of its Affiliates or any of its or its Affiliates' officers or employees, whether intentional or otherwise or (ii) from any actual or alleged reckless conduct or bad faith by any Person, any of its Affiliates or any of its or its Affiliates' officers or employees in connection with such Person's handling of any claim under any of the Covered Policies (including the settlement, defense of, or appeal of any claim) or in connection with the issuance, offer, sale, delivery, cancellation or administration by any Person or any of its Affiliates or any of its or its Affiliates' officers or employees of any of the Covered Policies.

(q) "Insolvency Event" means that (x) an involuntary bankruptcy, insolvency or similar proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of such entity or of all or substantially all of its property or assets under any applicable bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator, rehabilitator, liquidator or similar official with respect to such entity or all or substantially all of its property or assets, or (iii) the winding-up, liquidation or dissolution of such entity, and any such proceeding or petition shall continue undismissed for a period of thirty (30) or more consecutive days or an order or decree approving or ordering any of the foregoing shall be entered, or (y) such entity shall (i) voluntarily commence any proceeding or file any petition seeking relief (or take any similar or analogous action) under any applicable bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner to, any proceeding or the filing of any petition described in clause (x) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator, rehabilitator, liquidator or similar official with respect to such entity or all or substantially all of its property or assets, (iv) file an answer admitting the material allegations of a petition filed against it in any proceeding or petition described in clause (x) above, (v) make a general assignment for the benefit of its creditors, or (vi) become unable, admit in writing its inability, or fail generally to pay its debts or contractual obligations as they become due.

(r) "Issuer" shall have the meaning set forth in Section 6(d).

(s) "Loss" shall mean (i) such amounts as are paid or payable by or on behalf of the Company in settlement or satisfaction of claims pursuant to the terms and conditions of the Covered Policies or in settlement or satisfaction of any litigation or other proceedings seeking payment of such claims, including judgments or other awards arising therefrom (including prejudgment interest when added to a judgment), (ii) any and all Allocated Loss Adjustment Expenses, (iii) Extra Contractual Obligations arising after the Closing Date for acts, errors and omissions of Reinsurer or its Affiliates, and (iv) *ex gratia* payments that are committed or determined to be made by, or at the direction of, the Reinsurer or its Affiliates. Loss shall not include Extra Contractual Obligations for acts, errors and omissions of the Reinsurer or its Affiliates occurring on or prior to the Closing Date or Extra Contractual Obligations for acts, errors and omissions of the Company and its Affiliates occurring at any time. For the avoidance of doubt, "Loss" shall include the word "Losses."

(t) "Master Agreement" means the Master Agreement, dated as of August 27, 2008, by and among the Company, MBIA Inc. and the Reinsurer.

(u) "Moody's" means Moody's Investors Service or any successor thereto.

(v) "NYID" shall have the meaning set forth in Section 3.

(w) "Party" or "Parties" shall have the meaning set forth in the preamble.

(x) "Payee" shall have the meaning set forth in Section 13(a).

(y) "Person" means an individual, corporation, limited liability company, association, joint-stock company, business trust or other similar organization, partnership, joint venture, trust, unincorporated organization or government or any agency, instrumentality or political subdivision thereof.

(z) "Policy" means a policy, insurance contract, surety bond, financial guarantee, or similar instrument or contract (but not including forward commitments to issue any of the foregoing), issued or written by the Company in the United States, the District of Columbia, Puerto Rico or the U.S. Virgin Islands, and shall include primary policies, secondary market policies and ancillary policies or guaranties guarantying debt service reserve fund obligations, interest rate swaps and liquidity facilities or similar obligations in connection with primary policies.

(aa) "Rating Agency" means each of S&P and Moody's.

(bb) "Reassumption Date" shall have the meaning set forth in Section 15(b).

(cc) "Reassumption Right" shall have the meaning set forth in Section 15(b).

(dd) "Recapture" means to recapture Third Party Reinsurance pursuant to the terms of the agreement governing such Third Party Reinsurance in effect as of the date hereof.

(ee) "Recovery" or "Recoveries" shall mean any amount payable to or received by the Company in reimbursement of any Loss paid by the Reinsurer under this Agreement, whether by subrogation, salvage, reimbursement or other recovery from the Issuer or otherwise.

(ff) "Refinanced Obligations" shall have the meaning set forth in Section 6(b).

(gg) "Refinancing Obligations" shall have the meaning set forth in Section 6(b).

(hh) "Refinancing Policy" shall have the meaning set forth in Section 6(b).

(ii) "Reinsurer" shall have the meaning set forth in the preamble.

(jj) "Representatives" shall have the meaning set forth in Section 16(b).

(kk) "Reserves" means, for any Covered Policy, all reserves, including loss reserves (if any), Allocated Loss Adjustment Expense reserves (if any), contingency reserves, and unearned premium reserves related to such Covered Policy calculated in a manner consistent with the Closing Date UPR.

(ll) "S&P" means Standard & Poor's Ratings Services or any successor thereto.

(mm) "Services Agreement:" shall have the meaning set forth in Section 19(b).

(nn) "Special Cancellation Event" shall have the meaning set forth in Section 15(a).

(oo) "Specified Policies" shall mean the Policies specified on Exhibit C-1 hereto.

(pp) "Specified Third Party Reinsurance" shall mean the third party reinsurance from the third party reinsurer identified on Exhibit C-2 hereto covering a portion of the risks under the Specified Policies.

(qq) "Third Party Information" shall have the meaning set forth in Section 16(b).

(rr) "Third Party Reinsurance" shall mean all reinsurance coverage of risks under the Covered Policies to which the Company is a party at the applicable time,

other than (i) the reinsurance provided under this Agreement, and (ii) immediately upon Recapture or Commutation, reinsurance which is Recaptured or Commuted pursuant to Section 5(k) of the Master Agreement or in accordance with the terms of this Agreement, including Section 8(a)(v) hereof. For the avoidance of doubt, concurrently with any Specified Policy becoming a Covered Policy under Section 6(h), 6(i) or 6(j), any third party reinsurance coverage of risks under such Specified Policy shall be included in the term "Third Party Reinsurance", including for purposes of Sections 8(a)(v) and 8(a)(vi).

(ss) "Trust" shall mean the trust to be established under the Trust Agreement in accordance with the terms thereof, subject to the provisions of this Agreement.

(tt) "Trust Agreement" shall have the meaning set forth in Section 8(c).

(uu) "US Muni Risk" shall mean (i) municipal bonds and utility first mortgage obligations, as defined in Sections 6901(o) and 6901(s) of the New York Insurance Law, respectively, (ii) obligations issued or backed by investor owned utilities, healthcare institutions, private universities, electric cooperatives and not-for-profit organizations, and (iii) any other obligation issued by or on behalf of, or guaranteed or payable by, the United States, any state, the District of Columbia, Puerto Rico, the U.S. Virgin Islands or any political subdivision, agency, instrumentality, or authority of the foregoing, but excluding in the case of clauses (i) and (ii), bonds issued by an entity not located in the United States, the District of Columbia, Puerto Rico or the U.S. Virgin Islands.

2. Other Capitalized Terms. Capitalized terms used, but not defined herein, shall have the meanings given to such terms in the Master Agreement.

3. Accounting Practices. Unless otherwise specified herein, all references to premiums, reserves and other accounting terms shall be understood in accordance with the statutory accounting principles and practices prescribed or permitted to the Company by the New York Insurance Law and the New York State Insurance Department (the "NYID").

4. Term. This Agreement shall be deemed to be effective at 12:01 a.m., Eastern Time, on September 30, 2008 (the "Effective Date"), and shall remain in full force and effect until this Agreement is terminated by the mutual written consent of the Company and the Reinsurer or as provided in Section 15 hereof.

5. Amendment. This Agreement may be amended only by the written agreement of the Company and the Reinsurer; *provided, however*, that Section 13 may only be amended with respect to any particular Covered Policy if the Rating Agencies have confirmed that such amendment will not result in a downgrade of the rating assigned to the underlying securities or obligations under such Covered Policy, in which case the consent of the Payees relating to such Covered Policy shall not be required.

Any such amendment shall conform to the requirements of Section 6906(a) of the New York Insurance Law.

6. Reinsurance.

(a) Commencing as of the Effective Date, the Company hereby cedes as reinsurance to the Reinsurer, and the Reinsurer hereby assumes as reinsurance from the Company, the interest of the Company in and to, and the risks (net of any applicable Third Party Reinsurance in effect at the time a Loss is paid that is not Covered Third Party Reinsurance) associated with, each of the Covered Policies, and the Reinsurer agrees to indemnify the Company, subject to the terms, conditions, and limitations set forth in this Agreement, for any and all Losses (net of any applicable Third Party Reinsurance in effect at the time a Loss is paid that is not Covered Third Party Reinsurance). The exclusion of such Third Party Reinsurance in the preceding sentence will be effective whether or not such reinsurance is collectible. The Reinsurer shall be subject in all respects to all of the general and specific stipulations, clauses, waivers, extensions, modifications, alterations, cancellations, interpretations, and endorsements of the applicable Covered Policy. The Reinsurer's liability shall attach as of the effective date of the Covered Policy. Except as provided in Section 13 hereof, this Agreement shall not continue or create any obligation of the Reinsurer to any Person who owns or is insured under the Covered Policies. For the avoidance of doubt, Reinsurer shall not be required to reimburse the Company for Losses paid prior to the Effective Date.

(b) In the event of a refinancing (whether by refunding, redemption, optional tender or otherwise) of the obligations insured under a Covered Policy (the "Refinanced Obligations") by the issuance of new obligations that are insured by the Company (the "Refinancing Obligations"), including any Refinancing Obligations issued, with the consent of the Reinsurer in its sole discretion, to remediate, mitigate or prevent a claim or loss under such Covered Policy, improve the Company's position, or improve the credit quality or credit risk profile of the risk under such Covered Policy, then any Policy issued by the Company in respect of the Refinancing Obligations meeting the foregoing requirements with the consent of the Reinsurer in respect of the Refinancing Obligations (the "Refinancing Policy") shall be deemed to be a Covered Policy hereunder.

(c) Subject to paragraph (b) hereof, the Reinsurer shall be deemed to have assumed (without further action on the part of the Company or the Reinsurer) the same proportionate share of the Refinancing Obligations as the Reinsurer had assumed of the Refinanced Obligations as though the Refinancing Obligations were issued on the same date as the Refinanced Obligations.

(d) Subject to Section 19, all Loss settlements made by or on behalf of the Company, all Recovery settlements and all settlements with an issuer or obligor (an "Issuer") with respect to obligations insured under a Covered Policy (including deficiencies resulting therefrom), shall be final, conclusive and unconditionally binding

upon the Reinsurer, and the Reinsurer agrees to pay or allow, as the case may be, each such settlement in accordance with this Agreement.

(e) The Company hereby sells, assigns and transfers to the Reinsurer, any and all Recoveries received by the Company in accordance with Section 17, and the Company shall pay the Reinsurer any Recovery actually received by the Company whether received during or after the term of this Agreement. The payment of such Recoveries to the Reinsurer shall survive the termination of this Agreement or a proceeding pursuant to Section 14 of this Agreement.

(f) The Company shall report unreimbursed Loss settlements and Recoveries to the Reinsurer on a quarterly basis, within thirty (30) days following the close of the calendar quarter. If the quarterly report shows a net amount due to the Reinsurer, the Company shall remit such amount to the Reinsurer with the report. If the quarterly report shows a net amount due to the Company, the Reinsurer shall remit such amount to the Company within ten (10) days. Notwithstanding the foregoing, at the option and upon the demand of the Company, the Reinsurer shall pay the Company by special remittance within one (1) Business Day of receipt by the Reinsurer of a special loss accounting with respect to any Loss paid or due to be paid, which shall be prepared by the Company and shall contain the policy number, the payee, the due date and the amount due. The Reinsurer shall make payment to the Company by wire transfer of immediately available funds by the later of (a) 12:00 noon, New York City time, on the Business Day prior to such scheduled date of the claim payment or (b) the date one (1) Business Day following receipt of such special loss accounting. If for any reason the Company shall not make all or any part of the claim payment on the scheduled date, and no such payment is anticipated within two (2) Business Days thereof, the Company shall return to the Reinsurer within two (2) Business Days the amount paid to the Company by the Reinsurer for such claim payment to the extent not used therefor.

(g) Following the date hereof, each of the Company and the Reinsurer shall use its commercially reasonable efforts to either (i) recapture or commute all Specified Third Party Reinsurance or (ii) obtain the consent or waiver by the reinsurer under the Specified Third Party Reinsurance of (A) the assumption of administrative services by the Reinsurer as contemplated by the Services Agreement with respect to the Specified Policies and the Specified Third Party Reinsurance and (B) the net retention or similar requirements under the Specified Third Party Reinsurance agreements. Notwithstanding anything to the contrary in this Agreement, in no event will the Company or the Reinsurer be required to expend money (other than reasonable fees and expenses of external advisors and de minimis costs), commence or participate in any litigation or arbitration, offer or grant any accommodation (financial or otherwise), increase any risk, incur any liability or change any material term of this Agreement, the Master Agreement, the Services Agreement or the Trust Agreement in connection with obtaining the recapture or commutation under the Specified Third Party Reinsurance or the consent or waiver of any such reinsurer.

(h) In the event that the commutation, recapture, consent or waiver set forth in clause (g) above is effective within ten (10) calendar days following the Closing Date, promptly after the effectiveness of any such commutation, recapture, consent or waiver, but in no event later than the second (2nd) Business Day following the effectiveness of such commutation, recapture, consent or waiver, then the Company shall cede, to the extent that the Specified Policies comply with the standard of Covered Policies as set forth in the definition of "Covered Policy" herein as of the date of such cession, the Specified Policies to which such commutation, recapture, consent or waiver applies to the Reinsurer, and the Reinsurer will assume as reinsurance all of the risks associated with such Specified Policies. Upon the effectiveness of such cede and assumption, Exhibit A (and, to the extent applicable, Exhibit A-1 and Exhibit A-2) will automatically be amended to include such Specified Policies, and such Specified Policies shall be deemed to be Covered Policies hereunder as of the Effective Date, and the payments of premiums and commissions shall be calculated pursuant to Section 8(a) hereof as if made on the Closing Date (including with respect to Section 8(a)(iii), the Specified Third Party Reinsurance and any other Third Party Reinsurance covering the Specified Policies, in each case, that is commuted or recaptured prior to or upon the effectiveness of such cession and assumption, which shall be treated as Third Party Reinsurance for purposes of Section 8(a)) and be made on the date of such cession.

(i) In the event that the commutation, recapture, consent or waiver set forth in clause (g) above is effective between the eleventh (11th) calendar day and the thirtieth (30th) calendar day following the Closing Date, promptly after the effectiveness of any such commutation, recapture, consent or waiver, but in no event later than the second (2nd) Business Day following the effectiveness of such commutation, recapture, consent or waiver, then the Company shall cede, to the extent that the Specified Policies comply with the standard of Covered Policies as set forth in the definition of "Covered Policy" herein as of the date of such cession, the Specified Policies to which such commutation, recapture, consent or waiver applies to the Reinsurer, and the Reinsurer will assume as reinsurance all of the risks associated with such Specified Policies. Upon the effectiveness of such cede and assumption, Exhibit A (and, to the extent applicable, Exhibit A-1 and Exhibit A-2) will automatically be amended to include such Specified Policies, and such Specified Policies shall be deemed to be Covered Policies hereunder as of the date of such cession. Upon the cession of any such Specified Policy, the Parties will make the payments required by Section 8(a)(vi) and, without duplication, with respect to the Specified Third Party Reinsurance and any other Third Party Reinsurance covering the Specified Policies, in each case, that is commuted or recaptured prior to or upon the effectiveness of such cession and assumption, Section 8(a)(v).

(j) In the event that the commutation, recapture, consent or waiver set forth in clause (g) above is effective after the thirtieth (30th) calendar day following the Closing Date, promptly after the effectiveness of any such commutation, recapture, consent or waiver, but in no event later than the fifth (5th) Business Day following the effectiveness of such commutation, recapture, consent or waiver, with the consent of the Reinsurer, which consent shall not be unreasonably withheld, the Company shall

cede the Specified Policies to which such commutation, recapture, consent or waiver applies to the Reinsurer, and the Reinsurer will assume as reinsurance all of the risks associated with such Specified Policies. Upon the effectiveness of such cede and assumption, Exhibit A (and, to the extent applicable, Exhibit A-1 and Exhibit A-2) will automatically be amended to include such Specified Policies, and such Specified Policies shall be deemed to be Covered Policies hereunder as of the date of such cession. Upon the cession of any such Specified Policy, the Parties will make the payments required by Section 8(a)(vi) and, without duplication, with respect to the Specified Third Party Reinsurance and any other Third Party Reinsurance covering the Specified Policies, in each case, that is commuted or recaptured prior to or upon the effectiveness of such cession and assumption, Section 8(a)(v).

7. Reinsurance Follows Original Policies.

(a) All reinsurance under this Agreement shall be subject in all respects to the same rates, terms, conditions, waivers and interpretations, and to the same modifications, cancellations and alterations as the respective Covered Policies to which such reinsurance relates, and, subject to Section 19, all Loss and potential Loss settlements by or on behalf of the Company shall be binding on the Reinsurer, the true intent of this Agreement being that the Reinsurer shall, in every case to which this Agreement applies, follow the fortunes of the Company; *provided, however*, that this Section shall not be construed to expand the liability of the Reinsurer beyond what is specifically assumed under this Agreement without the Reinsurer's prior written consent. Subject to paragraph (b) below and Section 19, the Company shall have complete and sole control of and direction of all activities, efforts and decisions relating to Covered Policies and the risks ceded under this Agreement, including all activities, efforts and decisions to (i) mitigate, investigate, negotiate, settle or defend a Loss or potential Loss, (ii) prevent, mitigate or investigate a Loss or potential Loss under Covered Policies as to which the Company has posted a loss reserve, (iii) investigate or work out a Loss or potential Loss, and (iv) protect, perfect and exercise any Recovery or security interests or other rights relating to any Covered Policy and may take any action as it may deem advisable with respect thereto. The Reinsurer shall be bound by the judgment of the Company as to the obligations and liabilities of the Company under any original insurance, subject to Section 19. The Reinsurer acknowledges that certain Covered Policies may provide that the Company's obligations to make payment under its Policies are unconditional, irrevocable and non-cancellable by the Company for any reason and that the Company has waived, and agreed not to assert, any and all rights (whether by counterclaim, set-off or otherwise) and defenses (including any defense of fraud or any defense based on misrepresentation, breach of warranty, or non-disclosure of information by any Person) whether acquired by subrogation, assignment or otherwise to the extent such rights and defenses may be available to the Company to avoid payment of its obligations under any Policy in accordance with the express provisions of any Policy.

(b) Subject to Section 19, the Company will be responsible for administering the Covered Policies, including loss mitigation, loss adjustment and claims payment, surveillance and reporting. The Company may use one or more

subcontractors or vendors to provide services that would have otherwise been performed by the Company's employees without first obtaining the prior approval of the Reinsurer; *provided*, that without the consent of the Reinsurer (not to be unreasonably withheld, delayed or conditioned), the Company may not subcontract all or substantially all of such services to any one or more third parties that are not affiliated with the Company or the Reinsurer.

(c) Except as expressly set forth in Section 13(c) or otherwise in this Agreement, nothing herein shall in any manner create any obligations or establish any rights against the Reinsurer in favor of any third party or any Person not party to this Agreement.

(d) The Company agrees to use reasonable efforts to provide notice to the Reinsurer promptly after the Company receives notice of a claim under any Covered Policy. Failure to provide such Notice shall not relieve the Reinsurer of its obligations hereunder for any Loss or potential Loss resulting from such claim.

8. Premiums and Commissions.

(a) In consideration of the Reinsurer's obligations under this Agreement, the following payments shall be made:

(i) On the Closing Date, the Company shall pay to the Reinsurer the Closing Date UPR after giving effect to the proportional adjustment associated with Commutations and Recaptures on or prior to the Closing Date, which adjustment will be based on the gross and net unearned premium reserve amounts shown on Exhibit A. For the avoidance of doubt, any Policy listed on Exhibit A that has ceased to be a Covered Policy as of the Closing Date will not be included in the calculation of Closing Date UPR. An illustration of the adjustment with respect to Commutations and Recaptures is attached hereto as Schedule 1.

(ii) On the Closing Date, the Reinsurer shall pay to the Company a ceding commission equal to 21% of the payment made by the Company to the Reinsurer under Section 8(a)(i), which payment may be set off against the payment set forth under Section 8(a)(i) above.

(iii) On the Closing Date, the Reinsurer shall pay to the Company an additional ceding commission equal to the amount by which the ceding commission under each of its agreements for Third Party Reinsurance that are Commuted or Recaptured as of the Closing Date exceeded 21%.

(iv) After the Closing Date, the Reinsurer will promptly upon notice remit to the Company, without any interest thereon, any amounts paid by the Company to the Reinsurer pursuant to this Section 8, net of ceding commissions (without any interest thereon) paid by the Reinsurer hereunder, with respect to any Policy that is determined not to have been a Covered Policy as of the Closing Date.

(v) After the Closing Date, if any Third Party Reinsurance is Recaptured or Commuted (including Third Party Reinsurance with respect to any Specified Policy that is ceded by the Company to the Reinsurer in accordance with Section 6(i) or 6(j)), (A) the Company will promptly pay the Reinsurer an amount equal to the statutory unearned premium received upon Recapture or Commutation with respect to such Third Party Reinsurance, and (B) the Reinsurer will promptly pay to the Company a ceding commission equal to the ceding commission under such Third Party Reinsurance, which payment may be set off against the payment set forth under clause (A) above. For the avoidance of doubt, thereupon the indemnity reinsurance coverage provided by the Reinsurer hereunder shall not be net of such Recaptured or Commuted Third Party Reinsurance.

(vi) After the Closing Date, if any Specified Policy is ceded by the Company to the Reinsurer in accordance with Section 6(i) or 6(j), (A) the Company will promptly pay to the Reinsurer an amount equal to the aggregate net statutory unearned premium reserves of such Specified Policy as of the date such cession becomes effective (without giving effect to any Specified Third Party Reinsurance or any other Third Party Reinsurance covering the Specified Policies, in each case, that is commuted or recaptured prior to or upon the effectiveness of such cession under Section 6(i) or (j)), and (B) the Reinsurer will promptly pay to the Company a ceding commission equal to 21% of the payment made by the Company to the Reinsurer under clause (A) above, which payment may be set off against the payment set forth under clause (A) above.

(b) The payment under Section 8(a)(i) will be made by delivery to the Reinsurer of cash and the securities approved by the Parties in a separate letter agreement (such securities, the "Eligible Securities"). All other payments made pursuant to this Section 8 will be made in cash or, as provided in Section 8(a)(ii), by setoff.

(c) After the Closing, the Company and the Reinsurer will as soon as practicable, but in no event later than seven (7) Business Days after receipt from the NYID of the required terms thereof, enter into a trust agreement (the "Trust Agreement") in form and substance satisfactory to both Parties (subject to inclusion of all terms required by the NYID) with JP Morgan Chase Bank, N.A. or its Affiliate, as trustee (or, if JP Morgan Chase Bank, N.A. and its Affiliates are unwilling or unable to serve, such other trustee as agreed to by the Company and the Reinsurer), and upon the effectiveness of such Trust Agreement, the Reinsurer will deposit into the Trust cash and/or Eligible Securities equal to the fair market value of the cash and securities paid to the Reinsurer pursuant to this Agreement on the Closing Date or at any other time prior to the effectiveness of such Trust Agreement. So long as the Trust Agreement is in full force and effect, any payments by the Company hereunder after the Closing Date will be made to the Trust. Prior to the time that the Trust Agreement is in effect and the Trust is funded in accordance herewith, the Reinsurer will separate and maintain in a segregated account any payments received under this Section 8, and no withdrawals

may be taken on such segregated account without the consent of the Company except, upon the effectiveness of the Trust Agreement, to fund the Trust in accordance herewith.

9. Reinsurer's Acknowledgement.

(a) The Reinsurer has sufficient knowledge and experience in financial, business and other relevant matters to be capable of evaluating the risks and merits of entering into and performing this Agreement. Except for the representations, warranties and covenants made by the Company in the Master Agreement on the terms and subject to the conditions set forth therein, in entering into this Agreement, the Reinsurer is not relying on any representation as to any past or present fact or circumstance, or on any representation, prediction or estimation as to any future fact or circumstance, whatsoever made by or on behalf of the Company. Prior to the Reinsurer's execution and delivery of this Agreement, the Reinsurer has (i) been given the opportunity to ask questions of, and receive answers from, the Company concerning the terms and conditions of this Agreement and the subject matter of this Agreement, (ii) been given the opportunity to request and review such additional information necessary to evaluate the risks and merits of entering into and performing this Agreement and to verify the accuracy of or to supplement the information provided to the Reinsurer to the extent that the Company possesses such information, and (iii) received all documents and information reasonably necessary to make the decision to enter into and perform this Agreement.

(b) Subject to the Reinsurer's right to offset as set forth in Section 10 below, the Reinsurer hereby knowingly and voluntarily waives any and all defenses to payment under this Agreement that are based on misrepresentation and/or non-disclosure as to the subject matter of this Agreement at or prior to the Reinsurer's execution and delivery of this Agreement, and agrees not to seek rescission of this Agreement because of any actual or alleged misrepresentation and/or non-disclosure as to the subject matter of this Agreement at or prior to the Reinsurer's execution and delivery of this Agreement.

10. Offset. Except for the payments in Section 8 required to be made on the Closing Date, which may only be offset against each other, the Company and the Reinsurer may offset any balance or amount, whether on account of premiums, premium adjustments, commissions, claims, Losses, Recoveries, or otherwise, due from one Party to the other under this Agreement. The Party asserting the right of offset may exercise such right at any time whether the balance(s) due are on account of premiums or Losses or otherwise. In the event of the insolvency of a Party hereto, offsets shall only be allowed in accordance with applicable law, including Section 7427 of the New York Insurance Law. If payments are required to be made directly by the Reinsurer to any Payees as provided for in Sections 13 or 14, no offset shall be allowed between the Reinsurer and such Payees; *provided, however*, that the Reinsurer shall continue to maintain its offset rights against the Company as set forth in this Section 10.

11. Errors and Omissions. Inadvertent delays, errors or omissions made in connection with this Agreement shall not relieve either Party from any liability which

would have attached had such delay, error or omission not occurred, *provided* always that such delay, error or omission shall be rectified promptly after notification to or discovery by the Company or the Reinsurer, as the case may be.

12. Access to Records.

(a) To the extent not prohibited or restricted by any applicable law and subject to Section 16 hereof, the Reinsurer or its duly authorized representative shall have access to, and be permitted to copy, the books, computer (on a read-only basis) records and files (including computer files, retrieval programs and similar documentation) of the Company or any third party referred to in Section 7(b) pertaining to the Covered Policies and Third Party Reinsurance (including, surveillance reports and ongoing monitoring information of the underlying transactions), during normal business hours, for the purpose of obtaining information about the Covered Policies and Third Party Reinsurance; *provided*, that the Company shall have the right to redact, on a reasonable basis, materials which are protected by attorney/client privilege or the attorney work product doctrine or that contain information unrelated to the Covered Policies or that are not material to the Covered Policies. The Company or its authorized representatives shall have access to, and be permitted to copy, the books, records and files of the Reinsurer relating to the Covered Policies, during normal business hours, for the purpose of obtaining information concerning the Covered Policies; *provided*, *however*, that the Reinsurer shall have the right to redact, on a reasonable basis, materials which contain pricing, client or market strategy, forecast or other confidential or proprietary information, materials which are protected by attorney/client privilege or the attorney work product doctrine or any information unrelated to or not material to the Covered Policies; *provided*, further, such Reinsurer books and records shall be subject to the same confidentiality protection as accorded by Section 16 as if Section 16 applies to such information. The Company shall cooperate with the certified public accountants of the Reinsurer in connection with the Reinsurer's audit of the premiums under the Covered Policies for purposes of Reinsurer's audited financial statements.

(b) If not publicly available and requested by the Company, the Reinsurer shall provide the Company with its statutory financial statements, prepared according to applicable statutory accounting rules, promptly after such statements become available for distribution and, if not publicly available and requested by the Reinsurer, the Company shall provide the Reinsurer with its annual and quarterly statutory financial statements promptly after such statements become available for distribution, in each case in the form prescribed by either the National Association of Insurance Commissioners or any insurance regulatory authority having jurisdiction over the Party providing such information.

(c) The Company shall, on the Closing Date, provide to the Reinsurer, at the Reinsurer's expense in the case of paper photocopies, copies (which may be in electronic form) of reports, records, underwriting files, claim files and other information reasonably requested by the Reinsurer and in the Company's possession that relate to the Covered Policies. The Reinsurer shall permit the Company access to and the right to copy (which may be in electronic form), during the Reinsurer's normal business

hours, all records generated by the Reinsurer that relate to the Covered Policies; *provided, however*, that the Reinsurer shall have the right to redact, on a reasonable basis, materials which contain pricing, client or market strategy, forecast or other confidential or proprietary information or any information not material to the Covered Policies. In the event that liability under a Covered Policy is reassumed by the Company, the Reinsurer as promptly as practicable shall transfer all records relating to such Covered Policy to the Company; *provided*, that the Reinsurer may keep a copy of such records (which may be in electronic form), subject to Section 16 hereof, and the Reinsurer shall have the right to redact, on a reasonable basis, materials which contain pricing, client or market strategy, forecast or other confidential or proprietary information or any information unrelated to or not material to the Covered Policies.

13. Cut-Through.

(a) The Reinsurer will pay, in accordance with the Covered Policy, directly to the applicable holder of the insured securities or obligations thereunder ("Bondholder"), to the trustee, paying agent or other third party fiduciary acting on behalf of such Bondholder, to the Company's fiscal agent under such Covered Policy, on behalf of the Company, or to such other Person that is entitled to receive payment under the terms of the applicable Covered Policy (any such Bondholder or other Person, a "Payee"), 100% of any claim due and payable by the Company under such Covered Policy, subject to the terms, conditions, exclusions and limitations of such Covered Policy. As a condition of the Reinsurer's payment obligation, the Payee shall provide written notice (including facsimile) to the Reinsurer at the address specified in Section 20 of this Agreement (or any other address identified in writing by the Reinsurer to such Payee) for any Loss for which the Reinsurer may be liable pursuant to this section. Any such payment by the Reinsurer shall discharge the Company from its related payment obligation under the subject Covered Policy and shall be treated as a payment by the Company for all purposes of such Covered Policy and related documentation and otherwise, including for purposes of the Company's claims under Third Party Reinsurance. All notices, claims and suits or actions on such Covered Policy may be made directly to the Reinsurer as though it had originally issued such Covered Policy; *provided*, that the Reinsurer will provide a copy of any such notice, claim or suit or action to the Company within two (2) Business Days after Reinsurer's receipt thereof and will notify the Company within two (2) Business Days after any payment by the Reinsurer under this Section 13. In the event of any payment by the Reinsurer under this Section 13, the Reinsurer shall have the right to mitigate loss or otherwise to exercise any right of the Company with respect to the loss or claim under the Covered Policies.

(b) The Reinsurer shall have no obligation to indemnify the Company for amounts paid or payable by the Company in respect of a Covered Policy to the extent of any payments made by the Reinsurer to the applicable Payee of such Covered Policy in accordance with clause (a), and the Reinsurer shall be discharged of its payment obligations to the Company, or to its conservator, rehabilitator, receiver, liquidator or statutory successor ("Conservator"), under this reinsurance to the extent of such payments.

(c) The parties hereto acknowledge and agree that a Payee shall be entitled, as an express third-party beneficiary, to enforce against the Reinsurer its obligations to make payment directly to such Payee in the circumstances described in this Section 13 to the same extent as if such Payee were a party hereto, it being understood that the third-party beneficiary right of any Payee hereunder pertains solely to the payment obligations under the related Covered Policy and does not pertain to any other provisions of this Agreement.

(d) The Company shall, promptly after any payment by the Reinsurer to any Payee under this Section 13 for a claim payable by the Company under a Covered Policy, reimburse the Reinsurer for any amount due and payable to the Company in connection with such claim under any Third Party Reinsurance that is not Covered Third Party Reinsurance, whether or not collectible under such Third Party Reinsurance. The Company hereby assigns and transfers to the Reinsurer all of the Company's rights to the proceeds, if any, of the Covered Third Party Reinsurance to the extent that Reinsurer has paid a claim on a Covered Policy reinsured under such Covered Third Party Reinsurance, and promises to pay to the Reinsurer, any such proceeds promptly after receipt thereof by the Company. The Reinsurer will be subrogated to all rights of the Company under, arising out of, or relating to, the Covered Policies or any related Third Party Reinsurance to the extent of such payments under this Section 13 and the Company shall use its commercially reasonable efforts to assist the Reinsurer in pursuing any such subrogation rights.

14. Insolvency of the Company.

(a) In the event of insolvency and the appointment of a Conservator of the Company, the portion of any risk or obligation assumed by the Reinsurer hereunder shall be payable by the Reinsurer to the Conservator of the Company, on the basis of the liability of the Company under the Covered Policies, without diminution because of that insolvency, or because the Conservator has failed to pay all or a portion of any claims, directly to the Payees as their interests may appear.

(b) Payments by the Reinsurer as set forth above shall be made directly to the Company or to its Conservator, except where payment is made pursuant to Section 13. For the avoidance of doubt, the Payees are specified payees of the reinsurance under this Agreement in the event of the insolvency of the Company, as permitted by Section 1308(a)(2)(B)(i) of the New York Insurance Law.

(c) In the event of the insolvency of the Company, the Conservator of the Company shall give written notice to the Reinsurer of the pendency of a claim against the insolvent Company on each Covered Policy within a reasonable time after such claim is filed in the insolvency proceeding, and during the pendency of such claim the Reinsurer may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated any defense or defenses which it may deem available to the Company or its Conservator. The expense thus incurred by the Reinsurer shall be chargeable, subject to court approval, against the insolvent Company as part of the expense of liquidation or rehabilitation to the extent of the share of the

benefit which may accrue to the Company solely as a result of the defense undertaken by the Reinsurer.

15. Termination.

(a) The Company shall have the right, in its sole discretion, to terminate this Agreement by giving the Reinsurer written notice of termination upon the occurrence of any of the following events (each a "Special Cancellation Event"):

(i) An Insolvency Event shall have occurred with respect to the Reinsurer; or

(ii) The surplus to policyholders (as defined by the New York Insurance Law) of the Reinsurer falls below the greater of (i) \$75 million or (ii) the amount required by Section 6906 of the New York Insurance Law in effect or any successor equivalent provision from time to time; or

(iii) The Reinsurer fails to pay when due any amounts for Losses or potential Losses required to be paid by the Reinsurer under this Agreement, and such failure has not been cured within ten (10) Business Days following receipt by the Reinsurer of written notice of such failure; or

(iv) The Company fails to receive full credit on its financial statements under the New York Insurance Law for the reinsurance offered hereunder; or

(v) (A) The Reinsurer's Financial Strength Rating or Financial Enhancement Rating from S&P is downgraded below BBB- by S&P or the Reinsurer's Insurance Financial Strength Rating from Moody's is downgraded below Baa3 by Moody's or (B) either of the foregoing ratings is suspended or withdrawn other than in connection with the suspension or withdrawal of all ratings by S&P or Moody's, as the case may be, of financial guaranty companies generally.

(b) Upon the occurrence of a Special Cancellation Event, the Company shall have the right (the "Reassumption Right"), at its option, to reassume all, but not less than all, of the liability with respect to all Covered Policies ceded hereunder, such reassumption to become effective on the date specified in the Company's notice of termination, or, if no date is specified, immediately upon the giving of such notice (the "Reassumption Date"). The Company's Reassumption Right may be exercised at any time for so long as the Special Cancellation Event shall be continuing.

(c) Upon the reassumption of liability by the Company pursuant to this Section 15, the rights of third parties to receive payments from the Reinsurer under Section 13 immediately and automatically, without any further action on the part of the Company or the Reinsurer, shall cease.

(d) Upon the reassumption of liability by the Company pursuant to this Section 15, the Reinsurer shall automatically and without any further action on the part of the Company be unconditionally obligated to pay to the Company any and all of the then current loss reserves and unearned premiums (net of ceding commission) with respect to the Covered Policies for which the Company shall have reassumed liability, within five (5) Business Days after the Reassumption Date. In the event that the Company reassumes all liability previously ceded to the Reinsurer under this Agreement, then, upon payment by the Reinsurer to the Company of all amounts payable pursuant to this paragraph (d) or otherwise pursuant hereto, this Agreement shall terminate, except for the provisions of this Section 15 and Sections 1, 2, 3, 5, 9, 10, 12, 13(d), 16, 20 and 21 hereof, which shall continue in full force and effect.

16. Confidentiality.

(a) Reinsurer agrees, for the benefit of the Company and the provider of any Third Party Information (as defined below), to use the same degree of care to keep the Company Information confidential as it employs with its own confidential information of like kind, and take all reasonable measures to keep the Company Information secret and confidential.

(b) The term "Company Information" shall mean all the following, whether provided by the Company, its officers, directors, employees, agents, advisors, legal counsel, auditors, Affiliates or other representatives (collectively, "Representatives"), whether in oral, written, digital or other form, and whether provided before or after the Closing Date: all information concerning the Company or its business, this Agreement, any Covered Policy or proposed policy or the related terms and conditions thereof, as well as all underlying transactions relating thereto and all information with respect to the parties to such transactions, their Affiliates, their businesses or operations or the assets covered by such transactions or otherwise provided by or on behalf of such parties in connection with such transactions ("Third Party Information"), and all certificates, notices, agreements and any other communications of any sort relating to the foregoing, together with all documents, materials and other information provided by the Company or its Representatives or third parties in connection with this Agreement or the foregoing items or matters, including any and all financial, technical (including underwriting and credit evaluation techniques, procedures, practices and methodologies), commercial or other information, and any notes, communications, analyses, compilations, studies, memoranda or other documents prepared or derived by the Reinsurer or others which contain or reflect all or any part of such documents, materials and other information.

(c) Notwithstanding anything contained herein to the contrary, any Company Information will not be deemed confidential if it (i) is in the public domain (through no breach of this Section by the Reinsurer or any of its Representatives of the obligations set forth in this paragraph), (ii) was lawfully in the Reinsurer's or any of its Representatives' possession at the time of disclosure, (iii) was lawfully received by the Reinsurer or any of its Representatives from a third party that, to the Reinsurer's or any of its Representatives' knowledge, was not under an obligation of confidentiality, directly

or indirectly, to the Company or a party to an underlying transaction, as applicable, (iv) as to which the Company has consented to disclosing or (v) was independently developed by the Reinsurer. If the Reinsurer is requested or required in connection with a judicial, regulatory, administrative, governmental or other legal proceeding or by applicable law to disclose any Company Information, unless prohibited by applicable law, court order, subpoena or similar legal process, the Reinsurer shall provide the Company with timely notice of such request, to the extent reasonably practicable, so that the Company (or a party to an underlying transaction, as applicable) may seek, at the Company's (or such party's) expense, an appropriate protective order, but in any event the Reinsurer may disclose the Company Information it is advised by counsel it is required to disclose.

17. Salvage and Subrogation. Subject to Section 19 hereof, the Reinsurer shall be bound by the judgment of the Company concerning the salvage and subrogation rights and remedies of the Company under any Covered Policy, and the Company shall have complete and sole control of direction of all claims and salvage and subrogation remedies. In the event there are any Recoveries recovered subsequent to a Loss settlement, it is agreed that the amount recovered shall first be applied to the reimbursement of the Reinsurer. Expenses hereunder shall exclude all office expenses and salaries of officers and employees of the Company or the costs of any third party under Section 7(b).

18. Financial Statement Credit. The Reinsurer will take, and upon the request and at the discretion of the Company, will provide the Company evidence that the Reinsurer has taken, all steps necessary, if any, to ensure that the Company obtains full financial statement credit according to statutory requirements in all applicable United States jurisdictions in which the Company is licensed to transact insurance business (or to whose jurisdiction the Company otherwise submits), including Section 6906 of the New York Insurance Law, for the reinsurance ceded to the Reinsurer hereunder, including the posting of security, the maintenance of Reserves or aggregate risk limits, the posting of a letter of credit, the establishment of a trust, or a combination of the foregoing, by the Reinsurer in such amount, in such form and on such other terms and conditions as shall be required for the Company to obtain such full financial statement credit. Any term or condition required by such law or regulation to be included in this Agreement for the Company to receive full financial statement credit for the reinsurance provided hereunder will be deemed incorporated in this Agreement by this reference to the extent not inconsistent with the express terms of this Agreement.

19. Amendment of Covered Policies; Services Agreement.

(a) Except with the prior written consent of the Reinsurer, which consent will not be unreasonably withheld, delayed or conditioned, the Company shall not amend or modify the terms or conditions of any Covered Policy (including to any contract riders or endorsements thereto). The Company shall not amend or modify the terms and conditions of the Covered Policies in any manner which increase the liability or risk of liability of the Reinsurer hereunder. In the event that any such amendments or modifications are made in any Covered Policy other than in accordance with this

Section 19(a), this Agreement will cover liability incurred by the Company for Losses as if such changes, amendments or modifications had not been made.

(b) The parties acknowledge that they may, in accordance with Section 5(c) of the Master Agreement, enter into the Services Agreement substantially in the form attached as Exhibit B to the Master Agreement (the "Services Agreement"), pursuant to which Reinsurer will perform the activities specified therein on behalf of the Company. Actions taken by the Reinsurer as contemplated by and in accordance with the Services Agreement will not constitute a breach by the Company of any Company obligation under this Agreement. As long as the Services Agreement is in full force and effect and notwithstanding anything to the contrary in this Agreement, including Section 7, the Company shall have assigned its rights and delegated its obligations to take the actions and control the matters specified in the Services Agreement exclusively to Reinsurer as provided in the Services Agreement and such delegation shall control notwithstanding anything to the contrary in this Agreement. This does not authorize the Company to take any action that is the exclusive responsibility of Reinsurer under the Services Agreement and, and as long as the Services Agreement is in full force and effect and the Reinsurer is performing its claims payment obligations thereunder, the provisions of Section 6(f) hereof will not apply. The Reinsurer will not deny coverage, or seek to avoid the provision of reinsurance, under this Agreement, or pursue any other legal or equitable right or remedy against the Company, on the grounds of any act, error or omission in the provision of services under the Services Agreement. Until such time as the parties have entered into the Services Agreement, in the event of a conflict between this Agreement and Section 5(c)(iii) of the Master Agreement, Section 5(c)(iii) of the Master Agreement will control.

20. Addresses for Notices and Remittances. There is no reinsurance intermediary recognized as such in connection with this Agreement and all reports, payments, remittances, notices, letters, financial statements or any other communications will be direct between the Parties to this Agreement and will be addressed as follows:

If to the Company, to:

Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
Attn: General Counsel
Facsimile: 212-312-3221

With a copy to:

Jones Day
222 East 41st Street
New York, NY 10017
Attn: Marilyn Sonnie, Esq.
Facsimile: 212-755-7306

If to Reinsurer, to:

MBIA Insurance Corporation
113 King Street
Armonk, NY 10504
Attn: General Counsel
Facsimile: (914) 765-3919

With a copy to:

Sidley Austin LLP
One South Dearborn
Chicago, IL 60603
Attn: Thomas Albrecht
Facsimile: 312-853-7036

provided, however, that in the event a party notifies the other party in writing of a change in address, all such communications will thereafter be directed to the address indicated in such notice. All notices, consents, waivers, and other communications under this Agreement must be in writing and will be deemed to have been duly given upon receipt. A party shall have been deemed to have received any communication hereunder as follows: (i) if in writing and delivered in person or by courier, on the date it is delivered, (ii) if sent by certified or registered mail or the equivalent (return receipt requested), on the date that such mail is delivered or its delivery is attempted, and (iii) if sent by email or facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt of such transmission will be on the sender and will not be met by a transmission report or "read receipt" generated by the sender's facsimile machine or email system, as the case may be), in each case unless the date of that delivery (or attempted delivery) is not a Business Day or the related delivery (or attempted delivery) is made after the close of business on a Business Day, in which case the related communication will be deemed to have been received (if delivered in accordance with this Section 20) on the following Business Day.

21. Miscellaneous.

(a) This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York applicable to agreements made and to be performed entirely therein without reference to such State's principles of conflicts of law to the extent that the application of the laws of another jurisdiction would be required thereby.

(b) Each party hereby irrevocably agrees that any legal proceeding with respect to, arising out of, or otherwise relating to this Agreement may be brought and determined in any federal or state court located in the State and City of New York, and each party hereby irrevocably submits with regard to any such legal proceeding for itself and in respect to its property, generally and unconditionally, to the exclusive

jurisdiction of the aforesaid courts. Each party hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any legal proceeding with respect to, arising out of, or otherwise relating to this Agreement (i) any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason other than the failure to lawfully serve process, (ii) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise), and (iii) to the fullest extent permitted by applicable law, that (x) the legal proceeding in any such court is brought in an inconvenient forum, (y) the venue of such legal proceeding is improper, and (z) this Agreement may not be enforced in or by such courts. Each party hereto agrees that service of any process, summons, notice or document on such party as provided in Section 20 shall be effective service of process for any legal proceeding brought against such party in such courts.

(c) THE PARTIES HERETO HEREBY WAIVE TRIAL BY JURY AND CONSENT AND AGREE THAT DISPUTES HEREUNDER SHALL BE TRIED BEFORE A JUDGE SITTING WITHOUT A JURY.

(d) Each Party acknowledges that money damages may be both incalculable and an insufficient remedy for any breach of this Agreement by such Party and that any such breach would cause the other Party irreparable harm. Accordingly, each Party also agrees that, in the event of any breach or threatened breach of the provisions of this Agreement by such Party, the other Party shall be entitled to seek equitable relief without the requirement of posting a bond or other security, including in the form of injunction and orders for specific performance, in addition to all other remedies available at law or in equity.

(e) Except as otherwise provided in this Agreement, the failure by any Person to comply with any obligation, covenant or condition under this Agreement may be waived by the Person entitled to the benefit thereof only by a written instrument signed by the Person granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition will not operate as a waiver or continuing waiver of, or estoppel with respect to, any subsequent or other failure. The failure of any Person to enforce at any time any of the provisions of this Agreement will in no way be construed to be a waiver or continuing waiver of any such provision, nor in any way to affect the validity of this Agreement or any part hereof or the right of any Person thereafter to enforce each and every such provision. No waiver of any breach of such provisions will be held to be a waiver or continuing waiver of any other or subsequent breach.

(f) This Agreement will be binding upon and will inure to the benefit of the signatories hereto and their respective successors and permitted assigns. Subject to Section 7(b), neither Party may assign this Agreement or any of its rights or obligations hereunder without the prior written consent of the other Party, and any attempt to make any such assignment without such consent will be null and void; *provided, however*, that the Reinsurer shall have the right to assign its rights, interests

and/or obligations hereunder (whether through an assumption and assignment, reinsurance transaction or otherwise) at any time without the consent of FGIC to MBIA Insurance Corp. of Illinois or Capital Markets Assurance Corporation, *provided* that, (x) at the time of such assignment, such entity (i) is a wholly owned direct or indirect subsidiary of MBIA Inc., (ii) is licensed as a financial guaranty company under Article 69 of the New York Insurance Law, (iii) is otherwise qualified to act as Reinsurer hereunder, and (iv) after giving effect to such assignment, has insurer financial strength ratings issued by the Rating Agencies no lower than those of the Reinsurer at the time of such assignment, and (y) Reinsurer gives the Company reasonable prior written notice of such assignment.

(g) All rights and restrictions contained herein may be exercised and shall be applicable and binding only to the extent that they do not violate any applicable laws and are intended to be limited to the extent necessary to render this Agreement legal, valid and enforceable. If any term of this Agreement, or part thereof, not essential to the purpose of this Agreement shall be held to be illegal, invalid or unenforceable by a court of competent jurisdiction, it is the intention of the Parties that the remaining terms hereof, or part thereof shall constitute their agreement with respect to the subject matter hereof and all such remaining terms, or parts thereof, shall remain in full force and effect. To the extent legally permissible, any illegal, invalid or unenforceable provision of this Agreement shall be replaced by a valid provision which will implement the purpose of the illegal, invalid or unenforceable provision.

(h) This Agreement (including the Exhibits and Schedules attached hereto), the Master Agreement, the Services Agreement (if an when entered into), the letter agreement referred to in Section 8(b) and, when entered into in accordance with Section 8(c), the Trust Agreement collectively constitute the entire agreement and supersedes all prior agreements and understandings, both written and oral, between the Parties with respect to the subject matter of this Agreement.

(i) When a reference is made in this Agreement to Sections, Exhibits or Schedules, such reference will be to a Section, Exhibit or Schedule to this Agreement unless otherwise indicated. The headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they will be deemed to be followed by the words "without limitation." Unless the context otherwise requires, (i) "or" is disjunctive but not necessarily exclusive, (ii) words in the singular include the plural and vice versa, and (iii) the use in this Agreement of a pronoun in reference to a party hereto includes the masculine, feminine or neuter, as the context may require. All Schedules and Exhibits hereto will be deemed part of this Agreement and included in any reference to this Agreement.

(j) The Parties have participated jointly in negotiating and drafting this Agreement. In the event that an ambiguity or a question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the Parties, and no presumption or burden of proof will arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

(k) This Agreement may be executed in any number of counterparts, and all of such counterparts, taken together, shall evidence one and the same agreement. Delivery of a copy of this Agreement bearing an original signature by facsimile transmission or by electronic mail in "portable document format" form shall have the same effect as physical delivery of the paper document bearing the original signature.

(l) All payments, reports and calculations pursuant to this Agreement shall be in United States currency (converted, where applicable, at the same rates of exchange used by the Reinsurer in its books of account).

**** REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; SIGNATURE PAGE FOLLOWS ****

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be signed by their respective duly authorized officers as of the date first written above.

**FINANCIAL GUARANTY INSURANCE
COMPANY**

By: 

Name: John S. Dubel
Title: EVP & CRO

MBIA INSURANCE CORPORATION

By: _____

Name:

Title:

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be signed by their respective duly authorized officers as of the date first written above.

**FINANCIAL GUARANTY INSURANCE
COMPANY**

By: _____
Name:
Title:

MBIA INSURANCE CORPORATION

By: 
Name: William C. Fallon
Title: Managing Director (Head of Strategy)

**Exhibit A
to the Reinsurance Agreement**

COVERED POLICIES

See attachment.

**Exhibit A-1
to the Reinsurance Agreement**

COVERED POLICIES WRITTEN AFTER DECEMBER 31, 2007

See attachment.

Exhibit A-1

Policy Id	Policy	Revenue Stream Name	Gross Par Inforce	Net Par Inforce	STAT UPR		Net STAT UPR 6/30/08	Cusip
					6/30/08	6/30/08		
05010380	Blue Ridge HealthCare Sys, NC Hosp Rev 05A	Blue Ridge Health Care System, NC	\$ 115,000	\$ 115,000	\$ 2,324	\$ 2,324	\$ 2,324	657902X31
05010380	Blue Ridge HealthCare Sys, NC Hosp Rev 05A	Blue Ridge Health Care System, NC	\$ 730,000	\$ 730,000	\$ 15,144	\$ 15,144	\$ 15,144	657902X49
05010380	Blue Ridge HealthCare Sys, NC Hosp Rev 05A	Blue Ridge Health Care System, NC	\$ 840,000	\$ 840,000	\$ 17,878	\$ 17,878	\$ 17,878	657902X56
05010380	Blue Ridge HealthCare Sys, NC Hosp Rev 05A	Blue Ridge Health Care System, NC	\$ 575,000	\$ 575,000	\$ 12,548	\$ 12,548	\$ 12,548	657902X64
05010380	Blue Ridge HealthCare Sys, NC Hosp Rev 05A	Blue Ridge Health Care System, NC	\$ 4,620,000	\$ 4,620,000	\$ 128,910	\$ 128,910	\$ 128,910	657902X72
05010380	Blue Ridge HealthCare Sys, NC Hosp Rev 05A	Blue Ridge Health Care System, NC	\$ 1,900,000	\$ 1,900,000	\$ 41,605	\$ 41,605	\$ 41,605	657902X80
05010380	Blue Ridge HealthCare Sys, NC Hosp Rev 05A	Blue Ridge Health Care System, NC	\$ 1,385,000	\$ 1,385,000	\$ 31,259	\$ 31,259	\$ 31,259	657902X98
05010380	Blue Ridge HealthCare Sys, NC Hosp Rev 05A	Blue Ridge Health Care System, NC	\$ 1,380,000	\$ 1,380,000	\$ 32,074	\$ 32,074	\$ 32,074	657902Y22
05010380	Blue Ridge HealthCare Sys, NC Hosp Rev 05A	Blue Ridge Health Care System, NC	\$ 23,455,000	\$ 23,455,000	\$ 706,573	\$ 706,573	\$ 706,573	657902Y30
93010536	Niagara Falls Brdg Commiss 93	Niagara Falls Brdg Commission	\$ 4,715,000	\$ 4,417,404	\$ 37,319	\$ 34,950	\$ 34,950	653403BG9
93010536	Niagara Falls Brdg Commiss 93	Niagara Falls Brdg Commission	\$ 35,190,000	\$ 32,968,917	\$ 312,974	\$ 293,119	\$ 293,119	653403BJ3
93010536	Niagara Falls Brdg Commiss 93	Niagara Falls Brdg Commission	\$ 23,440,000	\$ 21,960,540	\$ 253,318	\$ 237,262	\$ 237,262	653403BL8

**Exhibit A-2
to the Reinsurance Agreement**

POLICIES NOT SUBJECT TO GROSS PAR LIMITATION

See attachment.

Exhibit A-2 to Reinsurance Agreement - Ancillary Policies
As of June 30, 2008

Policy Id	Policy	Revenue Stream Name	Policy Type	Primary Policy ID
00010002	Beaufort-Jasp Co W&S Rev 2000	Beaufort-Jasp Co WS Auth, Rev	Segregated DSRF Policy	00010001
00010200	Maine Turnpike Authority Rev00	Maine Turnpike Authority	Segregated DSRF Policy	00010197
00010317	Fresno, CA Sewer 2000A Sub.	Fresno, CA Sewer System	Segregated DSRF Policy	00010316
00010399	Sacramento Reg. CSD, CA 2000AB	Sacramento Regional CSD, CA	Segregated DSRF Policy	00020068
00010463	Peoria, AZ W&S Rev Series 2000	Peoria (City of), Arizona WFA	Segregated DSRF Policy	00010462
00010513	North Harris Mntg CCD, TX Rev00	North Harris Mntg CCD, TX Rev	Segregated DSRF Policy	00010512
00010560	Regional Trans Auth, LA Sur 91	Regional Trans Auth, LA Sis Tx	Segregated DSRF Policy	91010529
00010802	Boise, ID Airport Rev COP 2000	Boise, ID Airport Rev. COP	Segregated DSRF Policy	00010799
00010857	Gallup, NM Sales Tax 2000	Gallup, NM Sales Tax	Segregated DSRF Policy	00010856
01010110	Reg Trans Auth, IL SLS TX 01B	Regional Transportation Auth, IL Sales Tax	Segregated DSRF Policy	01010109
01010124	Cucamonga County, CA Water 00	Cucamonga County, CA Water	Segregated DSRF Policy	01010123
01010320	Regional Transportation Auth, IL Sales Tax 2001A	Regional Transportation Auth, IL Sales Tax	Segregated DSRF Policy	01010318
01010323	Metro Nashville Arpt, TN 2001A	Metropolitan Nashville Arpt, TN	Segregated DSRF Policy	01010321
01010480	Palm Beach Cnty, FL Non-Ad Vlm Series 2001	Palm Beach Cnty, FL Non-Ad Vlm	Segregated DSRF Policy	01010478
01010539	Round Rock Transp Sys Dev Corp, TX Sales Tax 2001	Round Rock, Texas Sales Tax	Segregated DSRF Policy	01010538
01010597	Cucamonga County, CA Water 2001	Cucamonga County, CA Water	Segregated DSRF Policy	01010596
01010644	Marion County, FL Utility System Rev 2001	Marion County, FL W&S Rev	Segregated DSRF Policy	01010645
01010698	Escambia County Utilities Authority, FL W&S 2001	Emerald Coast Util Auth, FL (was Escambia Co UA)	Segregated DSRF Policy	01010697
01010726	Palm Bay, Florida W&S 2001 Surety	Palm Bay, Florida WS	Segregated DSRF Policy	01010724
01012083	Wichita, Kansas Watr & Sewer	Wichita (City of), KS WS	Segregated DSRF Policy	01012082
01012150	Hillsborough County, FL CIT, Rev 2001 A - Surety	Hillsborough County, FL CIT Sales Tax	Segregated DSRF Policy	01012148
01012156	Hillsborough County, FL CIT, Rev 2001 B - Surety	Hillsborough County, FL CIT Sales Tax	Segregated DSRF Policy	01012148
01012199	Detroit, MI Sewer Disposal Second Lien 2001E	Detroit, MI Sewer Disposal Rev	Segregated DSRF Policy	01012198
01012215	Seminole County, FL SLS TX 2001	Seminole County, Florida Sis Tx	Segregated DSRF Policy	01012214
01012236	Norfolk, Va Water Revenue 2001	Norfolk (City of), VA WS	Segregated DSRF Policy	01012234
01012259	Brevard County, FL Sales Tax 2001	Brevard County, FL Sales Tax	Segregated DSRF Policy	01012258
01012302	Fort Pierce (City of), FL 2001	Fort Pierce (City of), FL	Segregated DSRF Policy	01012301
01012385	Wichita, Kansas Water & Sewer 2001	Wichita (City of), KS WS	Segregated DSRF Policy	01012384
01012426	Escambia County Utilities Authority, FL W&S 2001B	Emerald Coast Util Auth, FL (was Escambia Co UA)	Segregated DSRF Policy	01012425
02010013	Cleburne 4B Economic Dev Corp, Texas Series 2001	Cleburne 4B Economic Development Corp, Texas	Segregated DSRF Policy	02010012
02010177	Stockton-East Water District, CA W&S 2002	Stockton-East Water District, CA WS	Segregated DSRF Policy	02010176
02010463	Stockton-East Water Dist, CA W&S 2002B	Stockton-East Water District, CA WS	Segregated DSRF Policy	02010462
02010479	Anderson (City of), SC Wtr & Swr 2002	Anderson (City of), SC Sewer System	Segregated DSRF Policy	02010478
02010519	Phoenix, Az Airport 2002 Senior Lien	Phoenix, Az Airport	Segregated DSRF Policy	02010518
02010555	Kansas City (City of), MO Wtr Sys 2002C	Kansas City (City of), MO Rev Water Sys	Segregated DSRF Policy	02010554
02010739	St. Charles (City), MO Lse 02	St. Charles (City), MO GO	Segregated DSRF Policy	02010737
02010750	San Bruno Wastewater, CA '02	San Bruno Wastewater, CA	Segregated DSRF Policy	02010749
02010805	Cache County, UT Sales Tax 2002	Cache County, UT Sales Tax	Segregated DSRF Policy	02010804

Exhibit A-2 to Reinsurance Agreement - Ancillary Policies
As of June 30, 2008

Policy Id	Policy	Revenue Stream Name	Policy Type	Primary Policy ID
02010859	Polk County, Florida Sales Tax Series 2002	Polk County, FL Sales Tax Rev	Segregated DSRF Policy	02010858
02010926	Regional Transportation Authority, IL Sls Tx 2002B	Regional Transportation Auth, IL Sales Tax	Segregated DSRF Policy	02010925
02011012	Contra Costa Tran Auth, CA Sales Tax 02A	Contra Costa Tran Auth,SLS TAX	Segregated DSRF Policy	02010998
02011082	Mount Pleasant, SC Wtr & Swr 2002	Mount Pleasant, SC Wtr & Swr	Segregated DSRF Policy	02011081
02011085	Mount Pleasant, SC W&S '02 Surety Only	Mount Pleasant, SC Wtr & Swr	Segregated DSRF Policy	02011081
02011244	Hallsdale-Powell UD, TN Wtrwks & Swr Rev Ref 02AB	Hallsdale-Powell UD, TN Wtrwks Swr Rev	Segregated DSRF Policy	02011243
02011318	South Blount County Util Dist, TN Wtrwks Rev 2002	South Blount County Util Dist, TN Wtrwks Rev	Segregated DSRF Policy	02011317
02011444	Port of Seattle, WA, subordinate. rev., 2002	Port of Seattle, WA Airport Rev	Segregated DSRF Policy	02011443
02011478	Elsinore Valley MWD, CA W&S 2002A	Elsinore Valley, CA WS	Segregated DSRF Policy	02011477
02011582	Nevada Irrigation Dist, CA Rev Cert. Ref 02	Nevada Irrigation Dist, CA Water Rev	Segregated DSRF Policy	02011581
03010065	Ojai Valley Sanitary Dist, CA Wastewater Rev 02	Ojai Valley San District, CA Wastewater	Segregated DSRF Policy	03010064
03010088	Riverton, UT Wtr Rev Ref 2003	Riverton (City of), UT Water Rev Ref	Segregated DSRF Policy	03010087
03010089	Riverton, UT Wtr Rev Rfdg-2000B standalone surety	Riverton (City of), UT Water Rev Ref	Segregated DSRF Policy	00010628
03010091	Thomasville City, NC Rev 2003	Thomasville City, NC Rev	Segregated DSRF Policy	03010090
03010135	Burlingame Fin Auth, CA Wtr Rev 03	Burlingame Fin Auth, CA Wtr. Rev	Segregated DSRF Policy	03010134
03010136	Burlingame Fin Auth, CA Swr Rev 03	Burlingame Fin Auth, CA Swr Rev	Segregated DSRF Policy	03010134
03010158	Kansas City, MO Airport Rev 2003AB	Kansas City, MO Airport Rev	Segregated DSRF Policy	03010157
03010159	Kansas City, MO Airport Rev 2003B surety	Kansas City, MO Airport Rev	Segregated DSRF Policy	03010290
03010183	South Gate Utility Authority,CA	South Gate Utility Authority,CA	Segregated DSRF Policy	01012323
03010185	Wichita, Kansas Wtr & Sewer 2003	Wichita (City of), KS WS	Segregated DSRF Policy	03010184
03010223	San Francisco Redev. Proj TABS Series A,B & C	San Francisco Redevelopment Fin Auth, TABs	Segregated DSRF Policy	03010222
03010224	SAN FRANCISCO REDEV PROJ, TABs 2003B (Surety)	San Francisco Redevelopment Fin Auth, TABs	Segregated DSRF Policy	03010233
03010225	SAN FRANCISCO REDEV PROJ, TABs 2003C (Surety)	San Francisco Redevelopment Fin Auth, TABs	Segregated DSRF Policy	03010297
03010281	Cache County, UT Sales Tax Series 2003	Cache County, UT Sales Tax	Segregated DSRF Policy	03010280
03010341	Arkansas Dev Fin. Auth, AK (Corr. Fac. Rev.) 2003A	Arkansas Dev Fin. Auth, AK (Corr. Fac. Rev.)	Segregated DSRF Policy	03010340
03010353	Cucamonga County, CA Water 2003	Cucamonga County, CA Water	Segregated DSRF Policy	03010352
03010355	Deer Creek Drainage, PA Swr Rev 2003	DEER CREEK DRAINAGE, PA SWRREV	Segregated DSRF Policy	03010354
03010520	Clearfield City, UT Sales Tax Rev 2003	Clearfield City, UT Sales Tax Rev	Segregated DSRF Policy	03010519
03010532	Regional Transportation Authority, IL Sls Tx 03AC	Regional Transportation Auth, IL Sales Tax	Segregated DSRF Policy	03010531
03010533	Regional Transportation Auth, IL Sls Tx 03C Surety	Regional Transportation Auth, IL Sales Tax	Segregated DSRF Policy	03010531
03010571	San Marcos Pub Fac Auth CA Proj Area 1 TAB	San Marcos PFA, CA TABs Proj Area No. 1	Segregated DSRF Policy	03010570
03010573	San Marcos Pub Fac Auth, CA 03 TAB Proj Area No. 2	San Marcos PFA TABs, CA Proj Areas No. 1, 2, and 3	Segregated DSRF Policy	03010572
03010606	Washington Terrace (City), Utah W&S 2001 Surety	Washington Terrace (City), Utah W&S	Segregated DSRF Policy	01010633
03010689	Volusia County, FL Wtr/Sew 03 Ref	Volusia County, FL Water/Sewer	Segregated DSRF Policy	03010688
03010703	Duquesne Univ, PA Rev 2003	Duquesne Univ, PA Rev	Segregated DSRF Policy	03010702
03010704	St. Peters (City of), MO Wtr/Swr Rev 2003	St. Peters (City), MO WS	Segregated DSRF Policy	03010705
03010756	Escambia County Utilities Authority, FL W&S 2003	Emerald Coast Util Auth, FL (was Escambia Co UA)	Segregated DSRF Policy	03010755
03010758	Lacey Twp MUA, NJ Wtr Rev Ref GO 2003A	Lacey Twp NJ GO	Segregated DSRF Policy	03010757

Exhibit A-2 to Reinsurance Agreement - Ancillary Policies
As of June 30, 2008

Policy Id	Policy	Revenue Stream Name	Policy Type	Primary Policy ID
03010767	Lacey Twp MUA, NJ Wtr Rev Ref GO 2003B	Lacey Twp NJ GO	Segregated DSRF Policy	03010766
03010822	Bloomington (City of), IN Waterworks Rev Ref 2003	Bloomington, IN Wtr Util Revs	Segregated DSRF Policy	03010821
03010826	Deer Creek Drainage, PA Swr Rev Ref 2003A	DEER CREEK DRAINAGE, PA SWRREV	Segregated DSRF Policy	03010825
03010876	Washington, DC Wtr/Swr Auth 2003	Washington, DC WtrSwr Auth	Segregated DSRF Policy	03010875
03010953	Metropolitan Water Dist, CA Rev 03, Ser B-1 & B-2	Metropolitan Water District CA	Segregated DSRF Policy	03010952
03010969	Metro Washington DC Arpt 2003 B	Metro Wash, DC Airports Rev	Segregated DSRF Policy	03010968
03011039	Rhode Island EDC (Arpt) 03A	Rhode Island EDC (Arpt)	Segregated DSRF Policy	03011038
03011047	Hillsboro (City of), OR Wtr Rev 2003	Hillsboro (City of), OR Wtr Rev	Segregated DSRF Policy	03011046
03011073	Albany (City of), OR Water Rev and Ref 2003	Albany (City of), OR Water Rev and Ref 2003	Segregated DSRF Policy	03011072
03011120	Metro Nashville Arpt Auth, TN Rev 03B	Metropolitan Nashville Arpt, TN	Segregated DSRF Policy	03011119
03011139	El Dorado Irrigation Dist (EID), CA Rev COPs 2003A	El Dorado Irrig Dist CA COPs	Segregated DSRF Policy	03011138
03011182	Chino Hills (City of), CA Water Sys Ref COPs 2003	Chino Hills, CA Water Sys COPs	Segregated DSRF Policy	03011181
04010025	Santa Clara Valley Wtr Dist, CA Ref COPs 04A	Santa Clara Val Water Dist, CA	Segregated DSRF Policy	04010024
04010080	San Francisco Redev Proj, TABs 1993B Surety	San Francisco Redevelopment Fin Auth, TABs	Segregated DSRF Policy	93010553
04010091	Cincinnati/Hamilton Co Conven Auth, OH Hotel Tx 04	Cincinnati/Hamilton Co Conven Auth, OH Hotel Tx	Segregated DSRF Policy	04010090
04010101	Palm Beach Cnty, FL Non-Ad Vlm Rev Ref 2004	Palm Beach Cnty, FL Non-Ad Vlm	Segregated DSRF Policy	04010100
04010108	Arkansas St Univ (Jonesboro), AR Housing Rev 2004	Arkansas St Univ (Jonesboro), AR GO	Segregated DSRF Policy	04010107
04010110	Arkansas St Univ (Jonesboro), AR Stud Fee Rev 2004	Arkansas St Univ (Jonesboro), AR GO	Segregated DSRF Policy	04010109
04010160	Duquesne Univ, PA Rev Student Hous 2004	Duquesne Univ, PA Rev	Segregated DSRF Policy	04010159
04010219	Riverton (City of), UT Wtr Rev Ref 2004	Riverton (City of), UT Water Rev Ref	Segregated DSRF Policy	04010218
04010233	San Francisco Redev Proj, TABs 2004 A	San Francisco Redevelopment Fin Auth, TABs	Segregated DSRF Policy	04010232
04010260	Centennial Water & Sani Dist, CO Rev and Ref 04	Centennial Water Sani Dist, CO	Segregated DSRF Policy	04010259
04010266	Miami-Dade Co, FL Cap Asset Acquis MUNI-CPI 04A	Miami-Dade County, FL Non-Ad	Segregated DSRF Policy	04010265
04010270	Chelan Hydro Cons System (PUD #1), WA Rev 04	Chelan County PUD #1, WA	Segregated DSRF Policy	04010269
04010272	Chelan Hydro Cons System (PUD #1), WA Rev 04B	Chelan County PUD #1, WA	Segregated DSRF Policy	04010271
04010274	Chelan Hydro Cons System (PUD #1), WA Rev 04C	Chelan County PUD #1, WA	Segregated DSRF Policy	04010273
04010276	Chelan Hydro Cons System (PUD #1), WA Rev 04E	Chelan County PUD #1, WA	Segregated DSRF Policy	04010275
04010279	South Ogden City, UT Sales Tax Rev & Ref 04	South Ogden City, UT Sales Tax Rev	Segregated DSRF Policy	04010278
04010312	Phoenix (City of), AZ Cons Car Rental Fac Rev	Phoenix (City of), AZ Cons Car Rental Fac Rev	Segregated DSRF Policy	04010311
04010314	Bradley Intl Arpt, CT Rev Ref 04	Connecticut-Bradley Intl Arpt	Segregated DSRF Policy	04010313
04010321	Anaheim Pub Fin Auth, CA Mello Roos 04A	Anaheim Pub Fin Auth, CA Mello Roos 04A	Segregated DSRF Policy	04010320
04010324	Myrtle Beach (City of), SC Accomod Fee Rev 2004	Myrtle Beach (City of), SC Accomod Fee Rev	Segregated DSRF Policy	04010323
04010333	Univ of New Orleans (LSU BOS), LA Std Fee Rev 04A	Univ of New Orleans (LSU BOS), LA Rev	Segregated DSRF Policy	04010332
04010360	Massachusetts Commonwealth, MA Hotel Tax Rev 04	Massachusetts Commonwealth, MA Hotel Tax Rev	Segregated DSRF Policy	04010359
04010364	Anaheim Pub Fin Auth, CA Mello Roos 04A SY	Anaheim Pub Fin Auth, CA Mello Roos 04A	Segregated DSRF Policy	04010320
04010386	Kansas City, MO GARB Rev Ref 04E	Kansas City, MO Airport Rev	Segregated DSRF Policy	04010385
04010388	Port of Seattle, WA Rev Rfdg 2004	Port of Seattle, WA Airport Rev	Segregated DSRF Policy	04010387
04010466	Corona RDA, CA TAB Ref 04	Corona RDA, CA TAB	Segregated DSRF Policy	04010464

Exhibit A-2 to Reinsurance Agreement - Ancillary Policies
As of June 30, 2008

Policy Id	Policy	Revenue Stream Name	Policy Type	Primary Policy ID
04010485	Lucia Mar USD, CA COPS 04AB	Lucia Mar USD, CA COPS	Segregated DSRF Policy	04010484
04010487	Otay Water District, CA Rev Ref 04	Otay Water Dist, CA Water	Segregated DSRF Policy	04010486
04010534	Grand Rapids, MI Sani Swr Sys Rev 04	Grand Rapids Sewer Rev	Segregated DSRF Policy	04010533
04010542	Murrieta Valley USD (CFD's), CA Mello Roos 04	Murrieta Valley USD (CFDs), CA Mello Roos	Segregated DSRF Policy	04010541
04010552	Alabama St. Univ., AL GO	Alabama St. Univ., AL Gen Rev	Segregated DSRF Policy	04010551
04010569	Manatee County, FL Rev Impv 04	Manatee County, FL Non-ad valm	Segregated DSRF Policy	04010568
04010578	Palmdale Water District, CA Rev COPS 04	Palmdale Water District, CA	Segregated DSRF Policy	04010577
04010600	Riviera Beach (City of), FL W&S Rev 04	Riviera Beach (City of), FL WS	Segregated DSRF Policy	04010599
04010602	Public Utility Dist #1 (Cowlitz Crnty), WA Rev 04	Public Utility Dist #1 (Cowlitz Crnty), WA Rev	Segregated DSRF Policy	04010601
04010608	Manteca USD, CA CFD 1989-2 2004D	Manteca USD, CA CFD 1989-2 Mello Roos	Segregated DSRF Policy	04010607
04010625	Louisiana State Univ (New Orleans), LA Rev Ref 04	Univ of New Orleans (LSU BOS), LA Rev	Segregated DSRF Policy	04010624
04010635	Sierra Joint CCD, CA COPS 04	Sierra Joint CCD, CA COPS	Segregated DSRF Policy	04010634
04010641	Lee Co IDA (Bonita Springs Util), FL W&S 04A	Bonita Springs, FL WS (Lee County)	Segregated DSRF Policy	04010640
04010647	Coastal Water Auth, TX Rev 04 (Houston City Proj)	Houston (City of), TX WS Rev	Segregated DSRF Policy	04010645
04010651	Hallsdale-Powell UD, TN WWks & Swr Rev 04	Hallsdale-Powell UD, TN WWwks Swr Rev	Segregated DSRF Policy	04010650
04010665	Lee County, FL 5 Cent Gas Tax Ref Rev 04	Lee County, FL 5 Cent Gas Tax	Segregated DSRF Policy	04010664
04010674	Ramapo College (NJFEA), NJ Rev 04E	Ramapo College (NJFEA) Lease Rev	Segregated DSRF Policy	04010673
04010681	Emerald Coast Util Auth, FL Ref Rev 2004	Emerald Coast Util Auth, FL (was Escambia Co UA)	Segregated DSRF Policy	04010680
04010687	High Point (City of), NC Comb Enterprise Rev 04	High Point (City of), NC Comb Enterprise Rev	Segregated DSRF Policy	04010686
04010692	Indiana Bond Bank, IN Spec Prgm 04D	Indiana Bond Bank, IN Spec Prgm	Segregated DSRF Policy	04010691
04010742	Mooresville (Town of), NC Enterprise Sys Rev 04	Mooresville (Town of), NC Entrprs Sys Rev	Segregated DSRF Policy	04010741
04010757	Camden (City of), SC Combined Util Rev Ref 04	Camden (City of), SC Combined Util Rev	Segregated DSRF Policy	04010756
04010769	Portland (Interstab Corridor), OR TIF Rev 04A	Portland (Interstab Corridor), OR TIF Rev	Segregated DSRF Policy	04010768
04010803	St Louis Muni Fin Corp (Forest Park), MO Lse 04	St. Louis (City of), MO GO Lease	Segregated DSRF Policy	04010802
05010002	Chelan Hydro Cons System (PUD #1), WA Rev 05A	Chelan County PUD #1, WA	Segregated DSRF Policy	05010001
05010004	Chelan Hydro Cons System (PUD #1), WA Rev 05B	Chelan County PUD #1, WA	Segregated DSRF Policy	05010003
05010011	Mississippi Dev Bank (MDOT), MS Rev 05	Mississippi Dev Bank (MDOT), MS Rev	Segregated DSRF Policy	05010010
05010015	Lodi USD (Aspire Project), CA COPS 05AB	Lodi USD, CA COPS	Segregated DSRF Policy	05010014
05010034	San Ysidro SD, CA COPS 05	San Ysidro School District, CA COPS	Segregated DSRF Policy	05010032
05010055	Santee Public Financing Auth, CA Lse Rev 05	Santee Public Financing Auth, CA Lse Rev	Segregated DSRF Policy	05010054
05010070	Chesterfield (City of), MO Rev COPS 05	Chesterfield, MO GO	Segregated DSRF Policy	05010069
05010095	Pittsburgh Pub Parking Auth, PA Rev 05	Pittsburgh, PA Parking Auth	Segregated DSRF Policy	05010093
05010099	Elsinore Valley MWD, CA W&S COPS 05	Elsinore Valley, CA WS	Segregated DSRF Policy	05010098
05010104	North Bergen Twp BOE, NJ Lease Rev dtd 12/15/04	North Bergen Twp BOE, NJ Lease Rev	Segregated DSRF Policy	05010103
05010112	Centennial Water & Sani Dist, CO Ref 05	Centennial Water Sani Dist, CO	Segregated DSRF Policy	05010111
05010142	San Diego County, CA Wtr Auth Ref 05	San Diego County, CA Water Auth Rev	Segregated DSRF Policy	05010141
05010200	Southmost Union Jr College Dist, TX Rev Ref 05	Southmost Union Jr Coll Dist, TX	Segregated DSRF Policy	05010199
05010241	Salem (City of), OR W&S Ref 05	Salem (City of), OR WS	Segregated DSRF Policy	05010240

Exhibit A-2 to Reinsurance Agreement - Ancillary Policies
As of June 30, 2008

Policy Id	Policy	Revenue Stream Name	Policy Type	Primary Policy ID
05010248	Oklahoma City Pub Prop Auth (OCPPA), OK, Rev 05	Oklahoma City Pub Prop Auth (OCPPA), OK Rev	Segregated DSRF Policy	05010247
05010251	Washington St Univ Hsg & Dining, WA Rev Ref 05	Washington State University	Segregated DSRF Policy	05010250
05010263	Univ of North Carolina (Wilmington), NC Lse Rev 05	Univ of North Carolina (Wilmington), NC Lse Rev	Segregated DSRF Policy	05010262
05010276	Sacramento Suburban Water Dist, CA COP Taxable 05B	Sacramento Suburban Water Dist, CA COPs (ARS)	Segregated DSRF Policy	05010273
05010285	Capistrano UFSD (Ladera) CFD 98-2, CA MelloRoos 05	Capistrano UFSD (Ladera) CFD 98-2, CA MelloRoos	Segregated DSRF Policy	05010284
05010312	Wichita (City of), KS W&S Util Ref Rev 05A	Wichita (City of), KS WS	Segregated DSRF Policy	05010311
05010322	Del Mar Col Distr, TX, Comb Fee Rev Ref, 2005	Del Mar College Dist TX Rev	Segregated DSRF Policy	05010321
05010327	Laguna Stonelake CFD No. 1, CA Mello Roos Rev 05	Laguna Stonelake CFD No. 1, CA Mello Roos Rev	Segregated DSRF Policy	05010326
05010338	Taylor County, FL Sales Tax Rev Ref 05	Taylor County, FL Sales Tax	Segregated DSRF Policy	05010337
05010371	Hillsborough County, FL Non Ad Valorem Ser 2005	Hillsborough County, Florida Non Ad Valorem	Segregated DSRF Policy	05010370
05010376	San Jose RDA, CA TABS Ref 05 B	San Jose (City of), CA TABs	Segregated DSRF Policy	05010375
05010378	San Jose RDA, CA TABS Ref 05A	San Jose (City of), CA TABs	Segregated DSRF Policy	05010377
05010448	Erie County Convention Center Auth, PA GO 05	Erie County, PA GO	Segregated DSRF Policy	05010447
05010455	Univ of Denver (CO ECFA), CO Rev Ref 05A	Univ of Denver (CO Educ Cul Fac Auth), CO Rev	Segregated DSRF Policy	05010454
05010458	Sacramento City Fin Auth (Solid Waste), CA Rev 05	Sacramento City Fin Auth, CA Lse	Segregated DSRF Policy	05010457
05010459	Sacramento City Fin Auth (Solid Waste), CA Rev 05	Sacramento City Fin Auth, CA Lse	Segregated DSRF Policy	05010457
05010508	Douglas Co. PUD No 1 (Wells), WA Elec Ref 05ABC	Douglas Co. PUD No. 1, WA Util Rev	Segregated DSRF Policy	05010507
05010534	MARTA, GA Sales Tax Rev Ref 05A (Third Indenture)	Metro Atlanta RTA, GA Sales Tax (MARTA)	Segregated DSRF Policy	05010532
05010544	Sacramento Cnty San Dist, CA Rev Ref 05	Sacramento Regional CSD, CA	Segregated DSRF Policy	05010543
05010548	Wichita (City of), KS W&S Util Ref Rev 05B	Wichita (City of), KS WS	Segregated DSRF Policy	05010547
05010603	Idaho St Bldg Auth (Eastrn Idaho Tech), ID Rev 04A	Idaho St Build Auth Lease	Segregated DSRF Policy	05010602
05010621	Anchorage, AK Airport Car Rental Fac Rev 2005	Anchorage, AK Airport Car Rental Fac Rev	Segregated DSRF Policy	05010620
05010638	Santa Monica (City of), CA WWater Rev 2005A	Santa Monica (City of), CA Wastewater	Segregated DSRF Policy	05010637
05010663	Palm Bay (City of), FL Util Rev Ref 05A	Palm Bay, Florida WS	Segregated DSRF Policy	05010662
05010665	Palm Bay (City of), FL Util Rev Ref 05B	Palm Bay, Florida WS	Segregated DSRF Policy	05010664
05010667	San Rafael ESD, CA COPS 05	San Rafael ESD, CA GO	Segregated DSRF Policy	05010666
05010676	Washington TWP MUA, NJ GO Ref 2005	Washington TWP MUA, NJ GO	Segregated DSRF Policy	05010675
05010678	Los Angeles Co Sani Dist #14, CA Rev 05B	Los Angeles Co Sani Dist #14, CA Rev	Segregated DSRF Policy	05010677
05010682	Reno (City of) Cap Improvement, NV Rev Ref 05	Reno, NV Hotel Sales Tax	Segregated DSRF Policy	05010681
05010694	Mississippi Dev Bank (MDOT), MS Spcl Ob Rev 05	Mississippi Dev Bank (MDOT), MS Rev	Segregated DSRF Policy	05010693
05010753	Redding, CA Electric Rev 05	Redding, CA (Electric) Capital Services Corp	Segregated DSRF Policy	05010752
05010761	Brevard County, FL Gas Tax Rev 2005	Brevard County, FL Gas Tax	Segregated DSRF Policy	05010760
05010764	Sacramento Fn Auth (Downtown & Oak), CA TAB 05AB	Sacramento Fn Auth (Merged Downtown), CA TAB	Segregated DSRF Policy	05010763
05010774	Univ of Denver (CO Educ & Cul Fac Auth), CO Rev 05	Univ of Denver (CO Educ Cul Fac Auth), CO Rev	Segregated DSRF Policy	05010773
05010781	Ca Infr & Ec Dev Bnk Sch Apportion LS (Valejo USD)	Ca Infr Ec Dev Bnk Sch Apportion LS (Valejo USD)	Segregated DSRF Policy	05010780
05010783	Ca Infr & Ec Dev Bnk Sch Apportion LS (WCCUSD)	Ca Infr Ec Dev Bnk Sch Apportion LS (WCCUSD)	Segregated DSRF Policy	05010782
05010801	Grand Rapids (City of), MI Wtr Sys Rev 2005	Grand Rapids, MI Wtr System Rev	Segregated DSRF Policy	05010787
05010812	Banning (City of) Util Auth, CA Wtr Rev Ref 05	Banning (City of) Util Auth, CA Wtr Rev	Segregated DSRF Policy	05010811

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Policy Id	Policy	Revenue Stream Name	Policy Type	Primary Policy ID
06010034	Oklahoma St Univ, OK Util System Rev Ref 06	Oklahoma State Univ Util Revs	Segregated DSRF Policy	06010033
06010091	Sacramento City Fin Auth (Oak Park), CA TAB 06A	Sacramento Fin Auth (Oak Park PA) CA, TAB	Segregated DSRF Policy	06010090
06010092	Sacramento City Fin Auth (Del Paso), CA TAB 06B	Sacramento Cty Fin Auth (Del Paso Heights) CA TAB	Segregated DSRF Policy	06010153
06010115	Univ of Arkansas (UAMS), AR Rev 06	University of Arkansas System AK (bond issues only)	Segregated DSRF Policy	06010114
06010118	Indianapolis Local Pub Imp Bank, IN Mor Obl 06D	Indianapolis Local Pub Imp Bank, IN Mor Obl	Segregated DSRF Policy	06010117
06010155	Chula Vista Elementary SD, CA COP 06	Chula Vista Elem SD, CA GO	Segregated DSRF Policy	06010149
06010162	Kansas City Muni Asst Co (Bartle Hall), MO Lse 06A	Kansas City, MO GO Lease	Segregated DSRF Policy	06010160
06010163	Kansas City Muni Asst Corp (Kemper), MO Lse 06B	Kansas City, MO GO Lease	Segregated DSRF Policy	06010161
06010170	Santa Monica (City of), CA TAB Ref 06AB	Santa Monica (City), CA Tax Allocation	Segregated DSRF Policy	06010169
06010211	Univ of North Carolina (Wilmington), NC Lse Rev 06	Univ of North Carolina (Wilmington), NC Lse Rev	Segregated DSRF Policy	06010210
06010219	Aerospace Corp Series 2006	Aerospace Corp Revenue	Segregated DSRF Policy	06010145
06010224	Fashion Inst of Tech (SUNY), NY Rev 2004 Surety II	Fashion Inst of Tech (SUNY), NY Rev	Segregated DSRF Policy	04010325
06010236	Coronado CDA, CA TABs Ref 06	Coronado Comm Dev Agency, CA TABs	Segregated DSRF Policy	06010235
06010264	Fresno JPFA (Convention Cntr), CA Lse Rev 06	Fresno Jt Powers Fin. Auth, CA Lease	Segregated DSRF Policy	06010263
06010284	Emerald Coast Util Auth, FL Rev 2006	Emerald Coast Util Auth, FL (was Escambia Co UA)	Segregated DSRF Policy	06010283
06010331	San Jose USD, CA COPs Ref 06	San Jose USD, CA COPs	Segregated DSRF Policy	06010327
06010335	Yankee Ballpark LLC (NYC IDA), 2006	Yankee Ballpark LLC (NYC IDA)	Segregated DSRF Policy	06010333
06010338	Alaska Railroad Corp, AK FTA (5307 & 5309) 2006	Alaska Railroad Corp, AK FTA 53075309	Segregated DSRF Policy	06010337
06010340	Marysville Joint USD, CA COPs 06	Marysville Joint USD, CA COPs	Segregated DSRF Policy	06010339
06010350	Signal Hill RDA, CA Proj No.1 TABs 06A	Signal Hill RDA, CA TAB	Segregated DSRF Policy	06010349
06010352	Fort Smith (City of), AR Sales Tax Ref 2006	Fort Smith (City of), AR Sales Tax Rev	Segregated DSRF Policy	06010351
06010371	Hallsdale-Powell UD, TN WWks & Swr Rev 2006	Hallsdale-Powell UD, TN WWks Swr Rev	Segregated DSRF Policy	06010370
06010384	West Valley City MBA, UT Lease Rev Ref 06AB	West Valley City, UT Lease	Segregated DSRF Policy	06010383
06010385	West Valley City MBA, UT Lease Rev Ref 06AB	West Valley City, UT Lease	Segregated DSRF Policy	06010383
06010391	Mississippi Dev Bank (MDOT), MS Spcl Obl Rev 06	Mississippi Dev Bank (MDOT), MS Rev	Segregated DSRF Policy	06010390
06010399	Eastern Washington Univ, WA Srvs & Acts Rev Ref 06	Eastern Washington Univ, WA Rev	Segregated DSRF Policy	06010398
06010405	Yuba City USD, CA COP 06	Yuba City USD, CA COP	Segregated DSRF Policy	06010404
06010420	Lafayette (City of), IN Sewage Wrks Rev Ref 2006	Lafayette (City of), IN WS Rev	Segregated DSRF Policy	06010419
06010440	Metropolitan Wastewtr Mgmt Comm, OR Wstwr Rev 06	Metropolitan Wastewtr Mgmt Comm, OR Wstwr Rev	Common DSRF Policy	06010439
06010454	Chicago (City of), IL 2nd Lien Swr Rev Ref 06AB	Chicago Wastewater Trans Sr	Segregated DSRF Policy	06010453
06010461	South Ogden City, UT Sales Tax Rev Ref 06	South Ogden City, UT Sales Tax Rev	Segregated DSRF Policy	06010460
06010463	Metro Washington Airport Auth, DC Arpt Rev 02B	Metro Wash, DC Airports Rev	Segregated DSRF Policy	02010711
06010474	Grays Harbor County PUD#1, WA Elec Rev Ref 06	Grays Harbor County PUD#1, WA Elec	Common DSRF Policy	06010473
06010475	Ramapo College (NJEFA) Lse Rev Bds 02H,I,J (Surety)	Ramapo College (NJEFA) Lease Rev	Segregated DSRF Policy	02011310
06010476	Ramapo College (NJEFA), NJ Rev 2003H (surety)	Ramapo College (NJEFA) Lease Rev	Segregated DSRF Policy	04010047
06010478	Ramapo College (NJEFA) Lse Rev Bds 02H,I,J (Surety)	Ramapo College (NJEFA) Lease Rev	Segregated DSRF Policy	02011310
06010479	Ramapo College (NJEFA) Lse Rev Bds 02H,I,J (Surety)	Ramapo College (NJEFA) Lease Rev	Segregated DSRF Policy	02011310
06010481	Emerald Coast Util Auth, FL Rev Ref 2006B	Emerald Coast Util Auth, FL (was Escambia Co UA)	Segregated DSRF Policy	06010480

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Policy Id	Policy	Revenue Stream Name	Policy Type	Primary Policy ID
06010483	West Palm Beach (City of) CRA, FL Tax Incr Rev 06A	West Palm Beach CRA (City Center), FL Tax Incr	Common DSRF Policy	06010482
06010490	Los Angeles (City) MICLA, CA Lease 06-A	Los Angeles (City), CA Lease	Common DSRF Policy	06010489
06010492	Castle Rock (Town of), CO W&S Rev 2006	Castle Rock (Town of), CO - WS Rev	Common DSRF Policy	06010485
06010496	New Hampshire Muni Bond Bank, NH Rev 06B	New Hampshire Muni Bond Bank, NH	Common DSRF Policy	06010494
06010502	Norman Utilities Auth, OK W&S Util Rev 2006	Norman Utility, OK WS Rev	Common DSRF Policy	06010501
06010505	Arizona BOR (NAU), AZ Surety 97	Arizona Bd Of Regents (N AZ U)	Common DSRF Policy	06010504
07010003	Florida State DOE, FL CC Cap Improv Rev 2006A	Florida State DOE Community College Fee	Common DSRF Policy	07010002
07010011	Univ of Denver (CO Educ Cul Fac Auth), CO Rev 07	Univ of Denver (CO Educ Cul Fac Auth), CO Rev	Segregated DSRF Policy	07010010
07010038	San Antonio (City), TX Sr. Lien Wtr Rev Ref 2007	San Antonio (City), TX WS	Segregated DSRF Policy	07010037
07010040	Escondido JPFA, CA Lease Rev Ref 07AB	Escondido JPFA, CA Lease Rev	Segregated DSRF Policy	07010039
07010064	Sacramento Reg Cnty San District, CA Rev Ref 07AB	Sacramento Regional CSD, CA	Segregated DSRF Policy	07010063
07010070	Guadalupe Valley Electric Coop, Inc., TX Rev 2007	Guadalupe Valley Electric Cooperative Inc.	Segregated DSRF Policy	07010068
07010073	Clark County PUD No. 1, WA Elec Rev Ref 07	Clark County PUD No 1, WA Electric Rev	Common DSRF Policy	07010072
07010075	Clark County PUD No. 1, WA Generating Sys Rev 07	Clark County PUD No 1, WA Electric Rev	Common DSRF Policy	07010074
07010090	Antelope Valley-East Kern Wtr Agncy, CA COPs 07A1&2	Antelope Valley-East Kern Wtr Agncy, CA COPs	Segregated DSRF Policy	07010088
07010091	MARTA, GA Sales Tax Rev Ref 07A (Third Indenture)	Metro Atlanta RTA, GA Sales Tax (MARTA)	Segregated DSRF Policy	07010089
07010103	Bryan (City of), TX W&S Rev Ref & Impr 07	Bryan (City of), TX Rev WS	Common DSRF Policy	07010102
07010128	Kankakee River Metro Ag, IL Sr Lien Ref Rev 07	Kankakee River Metro Agency, IL	Common DSRF Policy	07010125
07010134	Fontana RDA (Sierra Corridor), CA TAB Rev 07	Fontana RDA (Sierra Corridor), CA TABs	Common DSRF Policy	07010133
07010138	Los Alamitos USD, CA COPs Ref 07	Los Alamitos USD, CA COPs	Segregated DSRF Policy	07010137
07010140	Rohnert Park Comnty Dev Comm, CA TAB Hsg 07H	Rohnert Park Comnty Dev Comm, CA TABs	Common DSRF Policy	07010139
07010142	Rohnert Park Comnty Dev Comm, CA TABs 07R	Rohnert Park Comnty Dev Comm, CA TABs	Common DSRF Policy	07010141
07010155	Buckeye Union SD, CA COPs 07	Buckeye Union SD, CA COPs	Segregated DSRF Policy	07010154
07010166	Lynwood USD, CA COPs Rev 07A	Lynwood USD, CA COPs	Segregated DSRF Policy	07010165
07010169	Lynwood USD, CA COPs Ref 07B	Lynwood USD, CA COPs	Segregated DSRF Policy	07010168
07010186	Manteca USD, CA CFD 1989-2 2007E	Manteca USD, CA CFD 1989-2 Mello Roos	Segregated DSRF Policy	07010185
07010196	Buffalo Fiscal Stability Auth, NY Sales Tax 2007A	Buffalo Fiscal Stability Auth, NY Rev Sales Tax	Common DSRF Policy	07010195
07010217	East Bay MUD, CA Sub Water Rev Ref 07 AB	East Bay MUD, CA Water System	Segregated DSRF Policy	07010214
07010220	East Bay MUD, CA Sub Water Rev Ref 07 AB	East Bay MUD, CA Water System	Segregated DSRF Policy	07010214
07010225	Anaheim Pub Fn Auth, CA Sr Lse Rev Ref 07A-1&A-2	Anaheim, CA Pub Imp Lease	Segregated DSRF Policy	07010224
07010228	Anaheim PFA, CA Sr Lse Rev Ref 07B (Taxable)	Anaheim, CA Pub Imp Lease	Segregated DSRF Policy	07010226
07010237	Fashion Inst of Tech (SUNY), NY Rev 2007	Fashion Inst of Tech (SUNY), NY Rev	Segregated DSRF Policy	07010236
07010252	Mesa State College, CO College Enterprise Rev 07	Mesa State College, CO Aux Rev	Segregated DSRF Policy	07010251
07010266	Brevard County, FL Local Option Gas Tax Rev 2007	Brevard County, FL Gas Tax	Common DSRF Policy	07010265
07010268	Louisiana PFA (19th Judicial Distr), LA Lease 07	Louisiana PFA (19th Judicial Distr), LA Lease	Segregated DSRF Policy	07010267
07010270	Sacramento Area Flood Control Agcy, CA Cons Cap 07	Sacramento Area Flood Control Agcy, CA Cons Cap	Common DSRF Policy	07010269
07010275	Ramona USD, CA COPs Ref 2007	Ramona USD, CA COPs	Segregated DSRF Policy	07010271
07010290	Univ of North Florida (Union), FL Ltd Rev 07	Univ of North Florida, FL Rev	Segregated DSRF Policy	07010289

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Policy Id	Policy	Revenue Stream Name	Policy Type	Primary Policy ID
07010293	Univ of North Florida (Housing), FL Aux Rev 07	Univ of North Florida, FL Auxiliary Rev	Segregated DSRF Policy	07010292
07010299	Mass Port Auth (BOSFUEL Proj), MA Rev 2007	Massachusetts Port Auth BOSFUEL Rev	Segregated DSRF Policy	07010298
07010301	Allegheny Co Sanitary Auth, PA Swr Rev 07	Allegheny Co Sani Auth, PA Sewer Rev	Segregated DSRF Policy	07010300
07010336	Houston (City of), TX Airport Rev Ref 07B	Houston (City of), TX Airport System	Common DSRF Policy	07010335
07010340	MICLA (Figueroa), CA Lse 07B-1/B-2 (Txble)	Los Angeles (City), CA Lease	Segregated DSRF Policy	07010339
07010342	Los Angeles (City) MICLA (Cap Equip), CA Lease 07A	Los Angeles (City), CA Lease	Segregated DSRF Policy	07010341
07010349	Hayward (City of), CA Sew Sys.Rev COPs Ref 2007	Hayward (City of), CA Sew Sys.Rev COPs	Segregated DSRF Policy	07010348
07010358	Calleguas-Las Virgenes PFA,CA Rev Ref 07AB	Calleguas-Las Virgenes PFA, CA	Segregated DSRF Policy	07010357
07010376	Calleguas-Las Virgenes PFA,CA Rev Ref 07AB	Calleguas-Las Virgenes PFA, CA	Segregated DSRF Policy	07010357
07010382	Alaska Railroad Corp, AK FTA (5307 & 5309) 2007	Alaska Railroad Corp, AK FTA 53075309	Segregated DSRF Policy	07010381
07010395	Melbourne (City of), FL W&S Rev Ref 2007B	Melbourne (City of), FL WS	Common DSRF Policy	07010394
07010397	Florida Keys Aqueduct Auth, FL Wtr Rev 2007	Florida Keys Aqueduct Authority, FL Wtr Rev	Segregated DSRF Policy	07010396
07010418	San Mateo (City of), CA Lease Rev Ref 07B	San Mateo (City of), CA Lease Rev	Segregated DSRF Policy	07010417
07010426	St. Peters (City of), MO Water & Sewer Rev 2007	St. Peters (City), MO WS	Segregated DSRF Policy	07010424
07010429	Miramar (City of), FL Util Sys Rev 2007	Miramar (City of), FL Util Sys Rev (WS)	Common DSRF Policy	07010428
07010443	Calaveras County, CA COPs 07	Calaveras County, CA COPs	Common DSRF Policy	07010442
07010448	Fort Smith (City of), AR Wtr & Swr Rev 2007	Fort Smith (City of), AR Wtr Swr	Common DSRF Policy	07010447
07010460	Sonoma (County of), CA (Measure F) Sales Tax 07AB	Sonoma (County of), CA Sales Tax	Segregated DSRF Policy	07010458
07010461	Sonoma (County of), CA (Measure F) Sales Tax 07AB	Sonoma (County of), CA Sales Tax	Segregated DSRF Policy	07010459
07010486	Escondido UHSD, CA COPs 07	Escondido UHSD, CA COPs 07	Segregated DSRF Policy	07010485
07010488	Fort Lewis College BOT, CO Aux Rev 07A,B1,B2,C,D	Fort Lewis College, CO Aux Rev	Segregated DSRF Policy	07010487
87990003	CHICAGO SCHOOL FINANCE AUTHORI	Chicago School Fin Auth, IL GO	Common DSRF Policy	93010338
90010289	SAN FRANCISCO REDEV PROJ, TAB	San Francisco Redevelopment Fin Auth, TABs	Segregated DSRF Policy	90010285
91010122	Chandler, AZ Wtr/Swr Ref, 91	Chandler (City of), AZ WS	Common DSRF Policy	05010403
91010312	PIMA CNTY, AZ SEWER REV SER 91	Pima County, AZ Sewer	Common DSRF Policy	NA
91010438	GRAND RAPIDS, MI WTR SYS 1991	Grand Rapids, MI Wtr System Rev	Common DSRF Policy	05010787
91010467	REGIONAL TRAN AUTH,L SL TX91A	Regional Transportation Auth, IL Sales Tax	Segregated DSRF Policy	91010455
91010505	ROCK HILL, SC UTIL SYS REV 91	ROCK HILL, SC UTIL SYS	Common DSRF Policy	NA
92010210	Montgomery Co, MD Bethesda 92A	Montgomery Cnty, MD (Bethesda Parking System)	Common DSRF Policy	02010648
92010211	Montgomery Co, MD (Silver) 92	Montgomery Co, MD (Silver)	Common DSRF Policy	02010649
92010216	Helena, MT Wtr Sys 92 B&C	Helena Water System, MT	Common DSRF Policy	NA
92010223	ST. LUCIE, FL W&S 1990 Surety	ST. LUCIE, FL W&S REV	Common DSRF Policy	NA
92010354	Hesperia, CA Wtr Dist 92A	Hesperia, CA Wtr Dist 92A	Segregated DSRF Policy	92010348
92010357	Gilbert, Az Water&Sewer 92	Gilbert (Town of), AZ WS	Common DSRF Policy	NA
92010360	Hesperia, CA Wtr Dist 92A	Hesperia, CA Wtr Dist 92A	Segregated DSRF Policy	92010348
92010468	Farmington, NM Util Rev 92	Farmington, NM Util	Common DSRF Policy	92010467
92010490	Pasco Co. FI Wtr&Swr Ref 92	Pasco Co. FI Wtr&Swr Rev	Common DSRF Policy	NA
92010608	Escambia Util Auth Ref 92B	Emerald Coast Util Auth, FL (was Escambia Co UA)	Segregated DSRF Policy	92010607

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Policy Id	Policy	Revenue Stream Name	Policy Type	Primary Policy ID
92010664	Panama City, FL Excise Tax S92	Panama City (City of), FL Non-Adv Pub Serv Tax	Common DSRF Policy	92010663
92010715	Chandler, AZ Wtr&Sw Ref 92	Chandler (City of), AZ WS	Common DSRF Policy	05010403
93010078	San Diego Co., Calif. Wtr 92 A	San Diego County, CA Water Auth Rev	Segregated DSRF Policy	93010077
93010116	JACKSONVILLE, FL EXC TAX 93	Jacksonville (City), FL Excise Tax	Segregated DSRF Policy	93010115
93010208	Chicago, IL Wstewtr Ref 92	Chicago Wastewater Trans Sr	Segregated DSRF Policy	93010207
93010297	PALM BEACH CNTY,FL ADMIN REV93	Palm Beach Cnty, FL Non-Ad Vlm	Segregated DSRF Policy	93010296
93010360	Eastern Municipal Wtr 93-B	Eastern Muni Water Dist, CA WS Rev	Segregated DSRF Policy	93010356
93010732	Dunedin, FI Wtr/Swr Ref. 93	Dunedin (City of), FL W & S	Segregated DSRF Policy	93010731
93010765	Chicago, IL Water Rev Ref 93	Chicago (City), IL Water Rev	Common DSRF Policy	93010764
93010812	Pittsburgh, PA Wtr & Swr 93 AB	Pittsburgh, PA Water Sewer	Segregated DSRF Policy	93010811
93010866	Washington, D.C., Transit Auth	Washington Metro Trans Auth,DC	Segregated DSRF Policy	93010865
94010026	OSCEOLA CNTY,FL SLS TAX 93REF	OSCEOLA CNTY, FL SALES TAX	Segregated DSRF Policy	94010025
94010078	Mishawaka (City), IN Swr 94A/B	Mishawaka (City), IN REV	Segregated DSRF Policy	94010075
94010560	Tacoma, Washington Sewer 94	Tacoma (City), WA Sewer Rev	Segregated DSRF Policy	94010518
94010600	Regional Trans Auth,IL STX94CD	Regional Transportation Auth, IL Sales Tax	Segregated DSRF Policy	94010591
95010363	Stafford Muni Util Auth, NJ 94	Stafford Muni Util Auth, NJ	Segregated DSRF Policy	94010157
95010380	Miami, FI Non-Ad Vlm Tax 1995	Miami, Florida Non-Ad Vlm Tax	Segregated DSRF Policy	95010379
96010046	Riverside Cnty TC, CA Sls Tx95	Riverside County TC, CA Sls Tx	Segregated DSRF Policy	96010045
96010100	Lake Mary, FL Pub Imp Rev 96	Lake Mary, FL Pub Imp Rev.	Segregated DSRF Policy	96010099
96010115	Sarasota Co., FI W & S Ser 96A	Sarasota County, FL Utility (WS)	Segregated DSRF Policy	96010114
96010188	Port of Seattle WA Rev 1996B	Port of Seattle, WA Airport Rev	Segregated DSRF Policy	96010187
96010212	Baltimore, MD Parking Sys 96A	Baltimore, MD Parking Sys Fac	Segregated DSRF Policy	96010211
96010570	BRIGHTON, COLORADO Sls 96R&B	BRIGHTON, COLORADO SALES TAX	Segregated DSRF Policy	96010569
97010006	JACKSONVILLE, FL SLS TX 96	Jacksonville, FL Sales Tax	Segregated DSRF Policy	97010005
97010038	ST. PETERSBURG,FL EXCISE DSRF	ST. PETERSBURG, FL EXCISE TAX	Segregated DSRF Policy	93010791
97010132	Everett, WA Water&Sewer 1997	Everett (City of), WA WS Rev	Segregated DSRF Policy	97010131
97010462	Stafford Muni Util Auth, NJ 97	Stafford Muni Util Auth, NJ	Segregated DSRF Policy	97010438
97010574	Regional Trans Auth,IL STAX 97	Regional Transportation Auth, IL Sales Tax	Segregated DSRF Policy	97010573
97010641	Prescott Valley Twn, AZ Exc Tx	Prescott Valley Twn, AZ Exc Tx	Segregated DSRF Policy	97010611
98010026	Metro Nashville Arpt, TN 97	Metropolitan Nashville Arpt, TN	Segregated DSRF Policy	98010023
98010027	Metro Nashville Arpt, TN 97	Metropolitan Nashville Arpt, TN	Segregated DSRF Policy	98010023
98010111	Escambia Co. FL Ut Auth 1998D	Emerald Coast Util Auth, FL (was Escambia Co UA)	Segregated DSRF Policy	98010108
98010126	Escambia Co., FL Ut 1998 ABC	Emerald Coast Util Auth, FL (was Escambia Co UA)	Segregated DSRF Policy	98010124
98010199	Edgefield Co. W&S Auth., SC 98	Edgefield Co. W&S Auth., SC	Segregated DSRF Policy	98010198
98010218	FORT PIERCE, FLORIDA NON-AD 98	Fort Pierce (City of), FL	Segregated DSRF Policy	98010219
98010242	Baltimore, MD Prkng Sys 1998A	Baltimore, MD Parking Sys Fac	Segregated DSRF Policy	98010241
98010317	Louisville & Jeff Co Sewer 98A	Louisville-Jefferson Co Metro Swr, KY Sewer Rev	Segregated DSRF Policy	98010316
98010327	Metro Nashville Arpt, TN 98	Metropolitan Nashville Arpt, TN	Segregated DSRF Policy	98010326

Exhibit A-2 to Reinsurance Agreement - Ancillary Policies
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Policy Id	Policy	Revenue Stream Name	Policy Type	Primary Policy ID
98010345	Palmdale, CA Water District 98	Palmdale Water District, CA	Segregated DSRF Policy	98010344
98010475	Stafford Muni Util Auth, NJ 98	Stafford Muni Util Auth, NJ	Segregated DSRF Policy	98010474
98010510	ST. JOHNS CO., FL SALES TAX 98	St. Johns County, FL Sales Tax	Segregated DSRF Policy	98010509
98010512	ST. JOHNS CO, FL W&S 1998	ST. JOHNS CO. FL Wands	Segregated DSRF Policy	98010511
98010516	Oklahoma Tkpe Authority, 98A&B	Oklahoma Turnpike Auth Rev	Segregated DSRF Policy	98010515
98010559	Lancaster Cnty Wtr&Swr Dist, SC	Lancaster County Water and Sewer District, SC	Segregated DSRF Policy	94010088
98010701	Warren Co, OH Wtrwks Rev 1998	Warren Co, OH Wtrwks District	Segregated DSRF Policy	98010700
98010822	Peoria, AZ Wtr & Sew 98 A&B	Peoria (City of), Arizona WFA	Segregated DSRF Policy	98010819
98010823	Peoria, AZ Wtr & Sew 98 A&B	Peoria (City of), Arizona WFA	Segregated DSRF Policy	98010819
98010834	Wichita, Kansas Wtr & Swr 98	Wichita (City of), KS WS	Segregated DSRF Policy	98010832
98010884	Washington TWP MUA, NJ GO 98AB	Washington TWP MUA, NJ GO	Segregated DSRF Policy	98010883
98010885	Washington TWP MUA, NJ GO 98AB	Washington TWP MUA, NJ GO	Segregated DSRF Policy	98010883
98011007	Folsom Water Rev, CA Series 98	Folsom (City of) Public Fin Auth, CA Water Rev	Segregated DSRF Policy	98011006
98011144	Corona Pub Fin Auth, CA Wtr Rev 98	Corona Public Fin Auth, CA Wtr	Segregated DSRF Policy	98011143
99010050	Kitsap Co., WA Sewer Rev 99	Kitsap Cnty, WA Swr Rev	Segregated DSRF Policy	99010049
99010297	South Island Pub Svc Di, SC 99	South Island Pub Svc Dist, SC	Segregated DSRF Policy	99010296
99010359	Metro Washington DC Arpt 99Rfg	Metro Wash, DC Airports Rev	Segregated DSRF Policy	99010358
99010394	San Francisco Park. Auth 99-1	San Francisco Parking Auth	Segregated DSRF Policy	99010393
99010461	Colorado Springs, CO Sls Tx 99	Colorado Springs, CO. Sales Tx	Segregated DSRF Policy	99020113
99010489	Wichita, KS Wtr & Sew Rev 99	Wichita (City of), KS WS	Segregated DSRF Policy	99010488
99010568	Jackson, MS Water & Sewer 99	Jackson, MS Water & Sewer	Segregated DSRF Policy	99010567
99010603	St. Peters, MO Wtr&Swr 1999	St. Peters (City), MO WS	Segregated DSRF Policy	99010602
99010642	Martinez, CA Water COPs Ser 99	Martinez, CA Water COPs	Segregated DSRF Policy	99010641
99010672	Escambia Co., FL Util Auth 99	Emerald Coast Util Auth, FL (was Escambia Co UA)	Segregated DSRF Policy	99010671
99010816	Beaufort-Jasp Co W&S Rev 99	Beaufort-Jasp Co WS Auth, Rev	Segregated DSRF Policy	99010815
99010862	Austin Car Rental Tax, TX 99	Austin Car Rental Tax, TX	Segregated DSRF Policy	99010861
02011046	Allegheny Cnty Airport Rev 02	Pittsburgh, PA Airport Rev	Swap Surety	02011045
04010329	Los Angeles County Museum Art (CDA), CA Rev 04B	Los Angeles County Museum Art (CDA), CA Rev	Swap Surety	04010338
04010429	Massachusetts Commonwealth, MA Hotel Tax Rev 04	Massachusetts Commonwealth, MA Hotel Tax Rev	Segregated DSRF Policy	04010359
04010430	Massachusetts Commonwealth, MA Hotel Tax Rev 04	Massachusetts Commonwealth, MA Hotel Tax Rev	Segregated DSRF Policy	04010359
04010431	Massachusetts Commonwealth, MA Hotel Tax Rev 04	Massachusetts Commonwealth, MA Hotel Tax Rev	Segregated DSRF Policy	04010359
04010512	Florida Muni Power Agy, FL Rev 04	Florida Muni Power Agy, FL Rev	Swap Surety	04010509
04010513	Florida Muni Power Agy, FL Rev 04	Florida Muni Power Agy, FL Rev	Swap Surety	04010509
04010685	Los Angeles County Museum Art (CDA), CA Rev 04C	Los Angeles County Museum Art (CDA), CA Rev	Swap Surety	04010684
04010713	Southeast Georgia Health Systems, GA Hosp Rev 04	Southeast Georgia Health Systems, GA	Swap Surety	04010683
05010254	West Palm Beach, FL W&S Util Sys Rev Ref 05	West Palm Beach, FL WS	Swap Surety	05010242
05010255	West Palm Beach, FL W&S Util Sys Rev Ref 05	West Palm Beach, FL WS	Swap Surety	05010242
05010357	Banner Health System, AZ Hosp Rev 05	Banner Health, AZ	Swap Surety	05010229

Exhibit A-2 to Reinsurance Agreement - Ancillary Policies
As of June 30, 2008

Policy Id	Policy	Revenue Stream Name	Policy Type	Primary Policy ID
05010477	Massachusetts Commonwth, MA Spec Obs Rev Ref 05	Massachusetts Commonwealth, MA Hotel Tax Rev	Segregated DSRF Policy	05010476
05010804	North Texas Tollway Auth, TX RevRfdg05	North Texas Tollway Auth, TX Dallas North Syst Rev	Swap Surety	05010803
05010815	North Texas Tollway Auth, TX RevRfdg05	North Texas Tollway Auth, TX Dallas North Syst Rev	Swap Surety	05010803
05010816	North Texas Tollway Auth, TX RevRfdg05	North Texas Tollway Auth, TX Dallas North Syst Rev	Swap Surety	05010803
06010084	Aurora (City of), CO COPS Ref 05 A-1 & A-2	Aurora (City of), CO GO and Lease	Swap Surety	06010073
06010233	Frederick Memorial Hospital, MD Rev/Ref Series 06	Frederick Memorial Hospital, MD	Swap Surety	06010228
06010313	San Francisco Ballet Association, CA Rev 06	San Francisco Ballet Association, CA Rev	Swap Surety	06010312
06010324	Cleveland (City of), OH Pub Pwr Sys Rev Ref 2006AB	Cleveland (City of), OH Pub Pwr Sys	Swap Surety	06010293
06010355	Goldman/NYC IDA Swap (Yankee Ballpark)	Yankee Ballpark LLC (NYC IDA)	Swap Surety	06010333
06010394	Virgin Islands Pub Fac Auth 2006A	Virgin Islands Pub Fac Auth Gross Receipts Tax	Swap Surety	06010386
07010162	Kean University (NJ EFA), NJ Rev Ref 2007E	Kean University, NJ	Swap Surety	07010156
07010211	Sacramento County Water Finance Auth, CA Rev 07	Sacramento Co Water Finance Auth, CA Rev	Swap Surety	07010198
07010231	Kentucky Asset/Liab Comm, KY Rev Ref 07AB	Kentucky Commonwealth Lease	Swap Surety	07010230
07010279	Pasco County School Board, FL Rev COPs2007	Pasco County School Board, FL Rev	Swap Surety	07010272
07010456	Philadelphia, PAID Lease Rev Series 2007AB	Philadelphia, PA GO Lease	Swap Surety	07010430
07010457	Philadelphia, PAID Lease Rev Series 2007AB	Philadelphia, PA GO Lease	Swap Surety	07010430
07010471	Los Angeles Co Museum of Art (CSCDA) Series 07ABC	Los Angeles County Museum Art (CDA), CA Rev	Swap Surety	07010467
07010472	Los Angeles Co Museum of Art (CSCDA) Series 07ABC	Los Angeles County Museum Art (CDA), CA Rev	Swap Surety	07010467
07010473	Los Angeles Co Museum of Art (CSCDA) Series 07ABC	Los Angeles County Museum Art (CDA), CA Rev	Swap Surety	07010467
07110025	San Francisco Jewish Comm Cntr, CA Rev 07	San Francisco Jewish Comm Cntr, CA Rev	Swap Surety	07010015
02010480	Harrisburg, PA Water Auth.	Harrisburg, PA Water Auth Rev	Swap Surety	03010001
03010477	DASNY- CUNY 3rd, 4th, 5th Res 2002	Dormitory Auth of State of NY - CUNY Rev	Swap Surety	03010435
03010478	DASNY- CUNY 3rd, 4th, 5th Res 2002	Dormitory Auth of State of NY - CUNY Rev	Swap Surety	03010435
03010479	DASNY- CUNY 3rd, 4th, 5th Res 2002	Dormitory Auth of State of NY - CUNY Rev	Swap Surety	03010435
03010480	DASNY- CUNY 3rd, 4th, 5th Res 2002	Dormitory Auth of State of NY - CUNY Rev	Swap Surety	03010435
03010481	DASNY- CUNY 3rd, 4th, 5th Res 2002	Dormitory Auth of State of NY - CUNY Rev	Swap Surety	03010435
03010482	DASNY- CUNY 3rd, 4th, 5th Res 2002	Dormitory Auth of State of NY - CUNY Rev	Swap Surety	03010435
03010483	DASNY- CUNY 3rd, 4th, 5th Res 2002	Dormitory Auth of State of NY - CUNY Rev	Swap Surety	03010435
03010484	DASNY- CUNY 3rd, 4th, 5th Res 2002	Dormitory Auth of State of NY - CUNY Rev	Swap Surety	03010435

**Exhibit B
to the Reinsurance Agreement**

COVERED THIRD PARTY REINSURANCE

Current Reinsurer Name	Reinsurer on Contract	Contract
Assured Guaranty Corp.	Capital Reinsurance Company	1988 Quota Share Treaty
	Capital Reinsurance Company	1989 Quota Share Treaty
	Capital Reinsurance Company	1990 Quota Share Treaty
	Capital Reinsurance Company	1991 Quota Share Treaty
	Capital Reinsurance Company	1992 Quota Share Treaty
	Capital Reinsurance Company	1993 Quota Share Treaty
	Capital Reinsurance Company	1994 Quota Share Treaty
	Capital Reinsurance Company	1995 Proportional Muni Treaty
	Capital Reinsurance Company	1996 Proportional Muni Treaty
	Capital Reinsurance Company	1997 Proportional Muni Treaty
	Capital Reinsurance Company	1998 Proportional Muni Treaty
	Capital Reinsurance Company	1999 Proportional Muni Treaty
	Ace Guaranty Re Inc.	2000 Proportional Muni Treaty
	Ace Guaranty Re Inc.	2001 Proportional Muni Treaty
	Ace Guaranty Re Inc.	2002 Proportional Muni Treaty
	F & G Reinsurance, Inc.	1984 Quota Share Treaty
	The United States Fidelity & Guaranty Company	1985 Quota Share Treaty
Assured Guaranty Re Overseas Ltd.	Capital Mortgage Reinsurance Company Bermuda Ltd	1995 Proportional Muni Treaty
	Capital Mortgage Reinsurance Company Bermuda Ltd	1996 Proportional Muni Treaty
	KRE Reinsurance Ltd.	1997 Proportional Muni Treaty
	KRE Reinsurance Ltd.	1998 Proportional Muni Treaty

**Exhibit C-1
to the Reinsurance Agreement
SPECIFIED POLICIES**

See attachment.

Exhibit C-2
to the Reinsurance Agreement
SPECIFIED THIRD PARTY REINSURANCE

See attachment.

Attachment to Exhibit C-2 to the Reinsurance Agreement

1. Ram Reinsurance Company Ltd.

**Schedule 1
to the Reinsurance Agreement**

**ILLUSTRATION OF APPLICATION OF THE PROPORTIONAL ADJUSTMENT
REFERRED TO IN SECTION 8(A)(I)**

For a Covered Policy, where:

\$100 million = gross par in force for the Policy (shown under the column headed "Gross Par Inforce")

\$90 million = net par in force for the Policy (shown under the column headed "Net Par Inforce")

\$5 million = par subject to Commutation or Recapture (in this example \$5 million of reinsurance will remain in place, i.e., not be subject to Commutation)

\$7 million = gross statutory unearned premium reserve for the Policy (shown under the column headed "Projected Gross STAT UPR 9/30/08")

The adjustment to the Closing Date UPR referred to in Section 8(a)(i) for Commutation or Recapture of \$5 million with respect to such Covered Policy =

$$(\$5 \text{ million} / \$100 \text{ million}) \times \$7 \text{ million} = \$350,000$$

Appendix D

OFFER TO PURCHASE
BANK OF AMERICA CORPORATION

Offer to Purchase for Cash
Any and All of the Outstanding
5.70% Senior Notes due 2034 (CUSIP No. 55262CAJ9)

of
MBIA INC.

IN ORDER TO BE ELIGIBLE TO RECEIVE THE TOTAL OFFER CONSIDERATION (AS DEFINED BELOW), WHICH CONSISTS OF THE TENDER OFFER CONSIDERATION (AS DEFINED BELOW) PLUS THE EARLY TENDER PREMIUM (AS DEFINED BELOW), ELIGIBLE HOLDERS OF 2004 MBIA NOTES (AS DEFINED BELOW) MUST VALIDLY TENDER, AND NOT VALIDLY WITHDRAW, THEIR 2004 MBIA NOTES PRIOR TO 11:59 P.M., NEW YORK CITY TIME, ON NOVEMBER 27, 2012, UNLESS EXTENDED (SUCH TIME AND DATE, AS THEY MAY BE EXTENDED, THE "EARLY TENDER DEADLINE"). ELIGIBLE HOLDERS TENDERING THEIR 2004 MBIA NOTES AFTER THE EARLY TENDER DEADLINE BUT PRIOR TO THE EXPIRATION DATE (AS DEFINED BELOW) WILL BE ELIGIBLE TO RECEIVE ONLY THE TENDER OFFER CONSIDERATION. TENDERED 2004 MBIA NOTES MAY BE WITHDRAWN AT ANY TIME PRIOR TO 11:59 P.M., NEW YORK CITY TIME, ON NOVEMBER 27, 2012, UNLESS EXTENDED (SUCH TIME AND DATE, AS THEY MAY BE EXTENDED, THE "WITHDRAWAL DEADLINE"), BUT NOT THEREAFTER. THE OFFER (AS DEFINED BELOW) WILL EXPIRE AT 11:59 P.M., NEW YORK CITY TIME, ON DECEMBER 11, 2012, UNLESS EXTENDED (SUCH TIME AND DATE, AS THEY MAY BE EXTENDED, THE "EXPIRATION DATE").

Bank of America Corporation, a Delaware corporation ("we," "us," or "BAC"), hereby offers to purchase for cash (the "Offer") any and all of the outstanding 5.70% Senior Notes due 2034 (CUSIP No. 55262CAJ9) (the "2004 MBIA Notes") issued by MBIA Inc., a Connecticut corporation ("MBIA"), of which \$329,115,000 aggregate principal amount is outstanding as of the date of this Offer to Purchase (as defined below), from each holder of record thereof as of 5:00 p.m., New York City time, on November 6, 2012, and who has the right to grant or withhold consent to the 2004 Proposed Amendments (as defined below) (each an "Eligible Holder" and collectively the "Eligible Holders"), upon the terms and subject to the conditions set forth in this Offer to Purchase (as it may be amended, supplemented, extended or otherwise modified from time to time, this "Offer to Purchase") and in the accompanying Letter of Transmittal (as it may be amended or supplemented from time to time, the "Letter of Transmittal" and, together with this Offer to Purchase, the "Offer Documents"). The 2004 MBIA Notes were issued pursuant to a Senior Indenture, dated as of November 24, 2004 (as amended, modified or supplemented from time to time, the "2004 Indenture"), between MBIA and The Bank of New York Mellon, as trustee (as successor in interest to The Bank of New York) (the "Trustee").

<u>CUSIP No.</u>	<u>Outstanding Aggregate Principal Amount</u>	<u>Title of Security</u>	<u>Tender Offer Consideration (1)(2)</u>	<u>Early Tender Premium (1)</u>	<u>Total Consideration (1)(2)(3)</u>
55262CAJ9	\$329,115,000	5.70% Senior Notes due 2034	\$950	\$50	\$1,000

(1) Per \$1,000 principal amount of the 2004 MBIA Notes (subject to the conditions described below).

(2) Tendering Eligible Holders will also receive accrued but unpaid interest up to, but not including, the Settlement Date (as defined below) on the 2004 MBIA Notes validly tendered, and not validly withdrawn, and accepted for purchase.

(3) Includes the Early Tender Premium (as defined below).

The "Total Consideration" for each \$1,000 principal amount of 2004 MBIA Notes validly tendered, and not validly withdrawn, prior to the Early Tender Deadline and accepted for purchase pursuant to the Offer will be \$1,000 in cash. The Total Consideration includes a payment of \$50 in cash per \$1,000 principal amount of 2004 MBIA Notes validly tendered (the "Early Tender Premium"). The "Tender Offer Consideration" for each \$1,000 in cash principal amount of 2004 MBIA Notes validly tendered, and not validly withdrawn, after the Early Tender Deadline but prior to the Expiration Date and accepted for purchase pursuant to the Offer will be \$950. The "Tender Offer Consideration" for each Offer is the Total Consideration minus the Early Tender Premium. Tendering Eligible Holders will also receive accrued and unpaid interest ("Accrued Interest") to, but not including, the Settlement Date. Upon the terms and subject to the conditions of the Offer, each Eligible Holder who validly tenders and does not validly withdraw 2004 MBIA Notes prior to the Early Tender Deadline will be entitled to receive the Total Consideration for all such 2004 MBIA Notes that are accepted for purchase (the date of such purchase, the "Settlement Date"). Upon the terms and subject to the conditions of the Offer, each Eligible Holder who validly tenders 2004 MBIA Notes after the

Early Tender Deadline but prior to the Expiration Date will be entitled to receive the Tender Offer Consideration, but not the Early Tender Premium for all such 2004 MBIA Notes that are accepted for purchase. The Settlement Date is expected to occur promptly after the Expiration Date, assuming all conditions of the Offer have been either satisfied or waived. **THE OFFER IS IRREVOCABLE SUBJECT ONLY TO THE SATISFACTION OR WAIVER OF THE CONDITIONS SET FORTH IN THIS OFFER TO PURCHASE.**

On November 7, 2012, MBIA commenced a consent solicitation (as it may be amended, supplemented, extended or otherwise modified from time to time, the "MBIA Consent Solicitation") with respect to the indentures governing (i) its 6.40% Senior Notes due 2022 (CUSIP No. 55262CAH3), 7.00% Debentures due 2025 (CUSIP No. 55262CAE0), 7.15% Debentures due 2027 (CUSIP No. 55262CAD2) and 6.625% Debentures due 2028 (CUSIP No. 55262CAF7) (collectively, the "1990 MBIA Notes" and, together with the "2004 MBIA Notes," the "MBIA Notes") and (ii) the 2004 MBIA Notes. The 1990 MBIA Notes were issued pursuant to a Senior Indenture, dated as of August 1, 1990 (as amended, modified or supplemented from time to time, the "1990 Indenture" and, together with the 2004 Indenture, the "Indentures"), between MBIA and the Trustee (as successor in interest to The First National Bank of Chicago). The MBIA Consent Solicitation proposes certain amendments to each of the Indentures (the "MBIA Proposed Amendments"). The purpose of the MBIA Proposed Amendments is to cause MBIA's subsidiary, National Public Finance Guarantee Corporation, to be substituted for MBIA Insurance Corporation ("MBIA Corp.") in the definitions of "Restricted Subsidiary" in the 1990 Indenture and "Principal Subsidiaries" in the 2004 Indenture, respectively. MBIA has disclosed that the purpose of the MBIA Proposed Amendments is to eliminate the risk of creating an event of default under the Indentures in the event that MBIA Corp. is placed into rehabilitation or liquidation by the New York State Division of Financial Services (the "NYSDFS"). MBIA has also disclosed that the consent from holders of a majority of the outstanding principal amount of notes outstanding under the 2004 Indenture is required to approve the MBIA Proposed Amendments to the 2004 Indenture (including any amendment, modification or substitution to such MBIA Proposed Amendments, the "2004 Proposed Amendments").

The purpose of the Offer is to induce Eligible Holders to sell their 2004 MBIA Notes to BAC rather than consent to the 2004 Proposed Amendments being sought as part of the MBIA Consent Solicitation. See "Purpose and Financing of the Offer — Background and Purpose of the Offer."

Our obligation to accept for purchase, and to pay for, 2004 MBIA Notes validly tendered, and not validly withdrawn, pursuant to the Offer shall be subject to the satisfaction or waiver by BAC of the following conditions: (i) there having been validly tendered pursuant to the Offer, and not validly withdrawn, not less than a majority in aggregate principal amount of the 2004 MBIA Notes outstanding (the "Minimum Tender Condition"); (ii) MBIA shall not have obtained the requisite consent of Eligible Holders needed to validly approve the 2004 Proposed Amendments, and the 2004 Proposed Amendments shall not have become effective (the "Consent Failure Condition"); and (iii) the General Conditions (as defined below). See "The Offer — Conditions of the Offer." By tendering its 2004 MBIA Notes, an Eligible Holder will be required to represent and warrant that it is an Eligible Holder and that either it has not delivered a Consent in connection with the MBIA Consent Solicitation or any Consent previously delivered by it has been timely and validly revoked and will be required to covenant that it will not deliver any Consent in connection with the MBIA Consent Solicitation (or any amendment or supplement thereto) or otherwise vote in favor of the 2004 Proposed Amendments. **Eligible Holders may not tender their 2004 MBIA Notes in the Offer and also submit Consents in the MBIA Consent Solicitation. However, Eligible Holders who have submitted Consents and who timely and validly revoke their Consents may tender their 2004 MBIA Notes in the Offer.** Subject to applicable law and the terms of the Offer, BAC may waive any of the conditions of the Offer in whole or in part, at any time and from time to time, prior to the Expiration Date. BAC also reserves the right, subject to applicable law and the terms of the Offer, to extend the Early Tender Deadline, the Withdrawal Deadline and/or the Expiration Date. The funds required for BAC to consummate the Offer will come from its available cash on hand.

NONE OF BAC, ITS BOARD OF DIRECTORS, OFFICERS OR AFFILIATES, THE TENDER AGENT (AS DEFINED BELOW), THE INFORMATION AGENT (AS DEFINED BELOW), THE DEALER MANAGER (AS DEFINED BELOW), THE TRUSTEE OR THE DEPOSITORY TRUST COMPANY MAKES ANY RECOMMENDATION AS TO WHETHER AN ELIGIBLE HOLDER SHOULD TENDER MBIA NOTES PURSUANT TO THE OFFER.

The Dealer Manager for the Offer is:

BofA Merrill Lynch

November 13, 2012

IMPORTANT INFORMATION

Any 2004 MBIA Notes tendered prior to the Withdrawal Deadline may be validly withdrawn at any time prior to the Withdrawal Deadline. 2004 MBIA Notes validly tendered, but not validly withdrawn, prior to the Withdrawal Deadline will be accepted for purchase pursuant to the Offer, subject to the terms and conditions of the Offer. The Offer is irrevocable, subject only to the express conditions set forth in this Offer to Purchase, including the Minimum Tender Condition and the Consent Failure Condition. BAC also reserves the right to extend the Early Tender Date, the Withdrawal Deadline and/or the Expiration Date; to amend the Offer in any manner not adverse to holders of 2004 MBIA Notes; and to change the definition of Eligible Holders in the event that the record date for the MBIA Consent Solicitation is changed in order to correspond to the record date for the MBIA Consent Solicitation.

Any 2004 MBIA Notes tendered after the Withdrawal Deadline may not be validly withdrawn, unless BAC is required by applicable law to permit withdrawal. See "The Offer — Withdrawal of Tenders." In addition, tendered 2004 MBIA Notes may be validly withdrawn if the Offer expires without any 2004 MBIA Notes being purchased pursuant thereto. In such event, the 2004 MBIA Notes tendered pursuant to the Offer will be promptly returned to the tendering Eligible Holders at the expense of BAC.

Upon satisfaction or waiver, as applicable, of the conditions of the Offer, tendered 2004 MBIA Notes will be deemed to have been accepted for purchase if, as and when BAC gives oral notice (confirmed in writing) or written notice thereof to the Tender Agent (as defined below) on the Acceptance Date (as defined below). Assuming the Acceptance Date has occurred, on the Settlement Date, BAC will pay (a) the Total Consideration with respect to all 2004 MBIA Notes that are validly tendered and not validly withdrawn prior to the Early Tender Deadline and accepted for purchase, (b) the Tender Offer Consideration with respect to all 2004 MBIA Notes that are validly tendered after the Early Tender Deadline but prior to the Expiration Date and accepted for purchase and (c) Accrued Interest with respect to all 2004 MBIA Notes that are accepted for purchase. Those Eligible Holders who validly tender their 2004 MBIA Notes after the Early Tender Deadline will not be entitled to receive the Early Tender Premium.

Subject to applicable law and the terms of the Offer, BAC may waive any of the conditions of the Offer in whole or in part, at any time and from time to time, prior to the Expiration Date.

NONE OF BAC, ITS BOARD OF DIRECTORS, OFFICERS OR AFFILIATES, THE DEALER MANAGER, THE INFORMATION AGENT, THE TENDER AGENT OR THE TRUSTEE IS MAKING A RECOMMENDATION IN CONNECTION WITH THE OFFER. BAC HAS NOT AUTHORIZED ANY PERSON TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFER OTHER THAN THOSE CONTAINED IN THIS OFFER TO PURCHASE OR IN THE LETTER OF TRANSMITTAL OR IN THE DOCUMENTS REFERRED TO HEREIN AND, IF GIVEN OR MADE, YOU MUST NOT RELY UPON ANY SUCH INFORMATION OR REPRESENTATION AS HAVING BEEN AUTHORIZED BY BAC, THE DEALER MANAGER, THE INFORMATION AGENT, THE TENDER AGENT OR THE TRUSTEE. THE BOARD OF DIRECTORS OF BAC HAS APPROVED THE OFFER. HOWEVER, YOU MUST MAKE YOUR OWN DECISION WHETHER TO TENDER YOUR 2004 MBIA NOTES AND, IF SO, THE AMOUNT TO TENDER.

NEITHER THE DELIVERY OF THIS OFFER TO PURCHASE AND RELATED DOCUMENTS NOR ANY PURCHASE OF 2004 MBIA NOTES BY BAC WILL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED IN THIS OFFER TO PURCHASE OR IN ANY RELATED DOCUMENT IS CURRENT AS OF ANY TIME SUBSEQUENT TO THE DATE OF THIS OFFER TO PURCHASE.

THE OFFER IS NOT BEING MADE TO (NOR WILL THE SURRENDER OF 2004 MBIA NOTES FOR PURCHASE BE ACCEPTED FROM OR ON BEHALF OF) ELIGIBLE HOLDERS OF 2004 MBIA NOTES IN ANY JURISDICTION IN WHICH THE MAKING OR ACCEPTANCE OF THE OFFER WOULD NOT BE IN COMPLIANCE WITH THE LAWS OF SUCH JURISDICTION. IN THOSE JURISDICTIONS WHERE THE SECURITIES, BLUE SKY OR OTHER LAWS REQUIRE THE OFFER TO BE MADE BY A LICENSED BROKER OR DEALER, THE OFFER WILL BE DEEMED TO BE

MADE ON BEHALF OF BAC BY THE DEALER MANAGER OR ONE OR MORE REGISTERED BROKERS OR DEALERS LICENSED UNDER THE LAWS OF SUCH JURISDICTION.

NO FEDERAL OR STATE SECURITIES COMMISSION NOR ANY OTHER REGULATORY AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFER TO PURCHASE. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

Eligible Holders should take note of the following dates in connection with the Offer:

<u>Date</u>	<u>Calendar Date</u>	<u>Event</u>
Early Tender Deadline	11:59 p.m., New York City time, on November 27, 2012, unless extended by BAC.	The last time for Eligible Holders to tender their 2004 MBIA Notes in order to be eligible to receive the payment of the Total Consideration, which includes the Early Tender Premium, upon the terms and subject to the conditions of the Offer. Eligible Holders who tender 2004 MBIA Notes after such time but prior to the Expiration Date will be eligible to receive only the Tender Offer Consideration, upon the terms and subject to the conditions of the Offer; they will not be eligible to receive the Early Tender Premium.
Withdrawal Deadline	11:59 p.m., New York City time, on November 27, 2012, unless extended by BAC or unless BAC is required by applicable law to permit withdrawal.	The last time for Eligible Holders to validly withdraw tenders of 2004 MBIA Notes. 2004 MBIA Notes that have been tendered may not be withdrawn after this time, unless BAC is required by applicable law to permit withdrawal. If 2004 MBIA Notes are validly withdrawn, the Eligible Holder of such 2004 MBIA Notes will no longer be eligible to receive any of the Total Consideration or the Tender Offer Consideration (unless the Eligible Holder validly retenders such 2004 MBIA Notes prior to the Early Tender Deadline or the Expiration Date, as the case may be). See “The Offer — Withdrawal of Tenders.”
Expiration Date	11:59 p.m., New York City time, on December 11, 2012, unless extended by BAC.	The last time for Eligible Holders to tender 2004 MBIA Notes pursuant to the Offer.
Acceptance Date	BAC expects this date to occur promptly following the Expiration Date; provided, that the conditions of the Offer have been either satisfied or waived.	The date (the “Acceptance Date”) on which BAC accepts for purchase all 2004 MBIA Notes validly tendered prior to the Expiration Date (and not validly withdrawn prior to the Withdrawal Deadline), and BAC notifies the Tender Agent that such tendered 2004 MBIA Notes are accepted for purchase; provided, that the conditions of the Offer have been either satisfied or waived.
Settlement Date	On or promptly following the Acceptance Date.	The date on which BAC will deposit with The Depository Trust Company (“DTC”) the amount of cash necessary to pay the aggregate Total Consideration and/or the aggregate Tender Offer Consideration, as the case may be, plus Accrued Interest to each Eligible Holder whose 2004 MBIA Notes were accepted for purchase. Payment will be made thereafter by DTC to each tendering Eligible

<u>Date</u>	<u>Calendar Date</u>	<u>Event</u>
		Holder of the Total Consideration or the Tender Offer Consideration, as the case may be, plus Accrued Interest with respect to such 2004 MBIA Notes.

Subject to applicable law and the terms of the Offer, BAC reserves the right to: (i) waive any and all conditions of the Offer; (ii) extend the Expiration Date, the Withdrawal Deadline and/or the Early Tender Deadline; (iii) otherwise amend the Offer in any manner not adverse to holders of 2004 MBIA Notes; (iv) change the definition of Eligible Holders in the event that the record date for the MBIA Consent Solicitation is changed in order to correspond to the record date for the MBIA Consent Solicitation; or (v) terminate the Offer and not accept for purchase any 2004 MBIA Notes if, but only if, the conditions to the Offer are not satisfied or waived. The foregoing rights are in addition to the right to delay acceptance for purchase of 2004 MBIA Notes tendered pursuant to the Offer or the payment of 2004 MBIA Notes accepted for purchase pursuant to the Offer in order to comply with applicable law, subject to Rule 14e-1(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which requires that we pay the consideration offered or return the 2004 MBIA Notes deposited by or on behalf of Eligible Holders promptly after the termination or withdrawal of the Offer.

In the event that the conditions to the Offer are not satisfied or waived, the Total Consideration or the Tender Offer Consideration, as the case may be, will not be paid or become payable to Eligible Holders that have tendered their 2004 MBIA Notes in connection with the Offer and the 2004 MBIA Notes tendered pursuant to the Offer will be promptly returned to the tendering Eligible Holders.

Any Eligible Holder of 2004 MBIA Notes in book-entry form who desires to tender its 2004 MBIA Notes pursuant to the Offer must request its broker, dealer, commercial bank, trust company or other nominee to effect the transaction or tender through DTC pursuant to DTC's Automated Tender Offer Program ("ATOP"). For an Eligible Holder to validly tender its 2004 MBIA Notes held in physical form, the certificates for the tendered 2004 MBIA Notes, a properly completed and validly executed Letter of Transmittal (or a facsimile thereof), together with any signature guarantees and any other documents required by the instructions to the Letter of Transmittal, must be received by the Tender Agent at its address set forth on the back cover page of this Offer to Purchase prior to the Early Tender Deadline or the Expiration Date, as the case may be. **A beneficial owner whose 2004 MBIA Notes are held by a broker, dealer, commercial bank, trust company or other nominee must contact such nominee if such beneficial owner desires to tender its 2004 MBIA Notes pursuant to the Offer.** See "The Offer — Procedures for Tendering 2004 MBIA Notes."

Any requests for additional copies of this Offer to Purchase or related documents may be directed to the Information Agent at one of its telephone numbers set forth on the back cover page of this Offer to Purchase. Any questions or requests for assistance related to the Offer may be directed to the Dealer Manager at its telephone number set forth on the back cover page of this Offer to Purchase or such Eligible Holder's broker, dealer, commercial bank, trust company or other nominee.

Tendering Eligible Holders will not be obligated to pay any brokerage fees or expenses of the Dealer Manager, the Tender Agent, the Information Agent, BAC, the Trustee or DTC. Eligible Holders who tender their 2004 MBIA Notes through a broker, dealer, commercial bank, trust company or other nominee should consult such institution as to whether it charges any service fees. BAC has agreed, upon consummation of the Offer, to pay a soliciting dealer fee equal to \$5.00 for each \$1,000 principal amount of 2004 MBIA Notes that are validly tendered and accepted for purchase pursuant to the Offer to retail brokers that are appropriately designated by their beneficial holder clients to receive this fee, provided that such fee will only be paid with respect to tenders by Eligible Holders whose aggregate principal amount of 2004 MBIA Notes is \$500,000 or less.

THIS OFFER TO PURCHASE AND THE ACCOMPANYING LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION THAT SHOULD BE READ CAREFULLY BEFORE ANY DECISION IS MADE WITH RESPECT TO A TENDER OF 2004 MBIA NOTES PURSUANT TO THE OFFER.

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SUMMARY

The following summary is provided solely for the convenience of Eligible Holders. This summary is not intended to be complete and is qualified in its entirety by reference to the more detailed information contained elsewhere in this Offer to Purchase. Eligible Holders are urged to read this Offer to Purchase in its entirety. Capitalized terms not otherwise defined in this summary have the meanings assigned to them elsewhere in this Offer to Purchase.

The Offeror Bank of America Corporation, a Delaware corporation (NYSE: BAC).

The 2004 MBIA Notes	<u>Title of Security</u>	<u>Aggregate Principal Amount Outstanding</u>
	5.70% Senior Notes due 2034 (CUSIP No. 55262CAJ9)	\$329,115,000

The Offer BAC is offering to purchase for cash, upon the terms and subject to the conditions set forth in the Offer Documents, any and all of the outstanding 2004 MBIA Notes validly tendered and not validly withdrawn pursuant to the Offer prior to the Expiration Date. See “The Offer — Terms of the Offer” and “The Offer — Acceptance of Notes for Purchase; Payment.”

Purpose of the Offer The purpose of the Offer is to induce Eligible Holders to sell their 2004 MBIA Notes to BAC rather than consent to the 2004 Proposed Amendments being sought as part of the MBIA Consent Solicitation. See “Purpose and Financing of the Offer — Background and Purpose of the Offer.”

Total Consideration The Total Consideration will be \$1,000 for each \$1,000 principal amount of 2004 MBIA Notes validly tendered, and not validly withdrawn, prior to the Early Tender Deadline and accepted for purchase pursuant to the Offer. The Total Consideration includes the Early Tender Premium.

Early Tender Premium An amount in cash equal to \$50 for each \$1,000 principal amount of 2004 MBIA Notes validly tendered and not validly withdrawn prior to the Early Tender Deadline and accepted for purchase pursuant to the Offer. For the avoidance of doubt, the Early Tender Premium is included in, and is not in addition to, the Total Consideration.

Tender Offer Consideration The Tender Offer Consideration will be \$950 for each \$1,000

principal amount of 2004 MBIA Notes validly tendered after the Early Tender Deadline but prior to the Expiration Date and accepted for purchase pursuant to the Offer. The Tender Offer Consideration is the Total Consideration minus the Early Tender Premium.

Accrued Interest With respect to each \$1,000 principal amount of 2004 MBIA Notes tendered and accepted for purchase by BAC pursuant to the Offer, BAC will also pay accrued and unpaid interest on such 2004 MBIA Notes from the most recent interest payment date preceding the Settlement Date to, but not including, the Settlement Date.

Early Tender Deadline The Early Tender Deadline is 11:59 p.m., New York City time, on November 27, 2012.

Withdrawal Deadline The Withdrawal Deadline is 11:59 p.m., New York City time, on November 27, 2012, unless extended by BAC, or unless BAC is required by applicable law to permit withdrawal

Expiration Date The Offer will expire at 11:59 p.m., New York City time, on December 11, 2012.

Acceptance Date The date on which BAC accepts for purchase all 2004 MBIA Notes validly tendered prior to the Expiration Date and not validly withdrawn prior to the Withdrawal Deadline, and BAC notifies the Tender Agent that such tendered 2004 MBIA Notes are accepted for purchase; provided that the conditions of the Offer have been either satisfied or waived.

Settlement Date On or promptly following the Acceptance Date. The date on which BAC will deposit with DTC the amount of cash necessary to pay the aggregate Total Consideration and/or the aggregate Tender Offer Consideration, as the case may be, to each Eligible Holder whose 2004 MBIA Notes were accepted for purchase. Payment will be made thereafter by DTC to each tendering Eligible Holder of the Total Consideration or the Tender Offer Consideration, as the case may be, with respect to such 2004 MBIA Notes.

Procedures for Tendering 2004 MBIA Notes See "The Offer — Procedures for Tendering 2004 MBIA Notes." For further information, please call the Information Agent at the phone numbers set forth on the back cover page of this Offer to Purchase or consult your broker, dealer, commercial bank, trust company or other nominee. **A beneficial owner whose 2004 MBIA Notes are held by a**

broker, dealer, commercial bank, trust company or other nominee must contact such nominee if such beneficial owner desires to tender its 2004 MBIA Notes. DTC participants may either (i) properly complete, duly execute and deliver the Letter of Transmittal (or a facsimile thereof), or (ii) transmit their acceptance to DTC through ATOP.

Acceptance of 2004 MBIA Notes and Payment..... Upon the terms of the Offer and upon satisfaction or waiver of the conditions of the Offer specified herein under “The Offer — Conditions of the Offer,” BAC will accept for purchase, no later than the Acceptance Date, all 2004 MBIA Notes validly tendered and not validly withdrawn (or defectively tendered, if such defect is waived by BAC) prior to the Expiration Date.

Provided that the conditions of the Offer have been either satisfied or waived, payment for the 2004 MBIA Notes validly tendered, and not validly withdrawn, in the Offer shall be made on the Settlement Date.

Eligible Holders of 2004 MBIA Notes validly tendered and not validly withdrawn prior to the Early Tender Deadline and that are accepted for purchase by BAC on the Acceptance Date shall be entitled to receive the Total Consideration plus Accrued Interest, with such payment to be made on the Settlement Date, which is expected to be on or promptly following the Acceptance Date. Eligible Holders of 2004 MBIA Notes that are validly tendered after the Early Tender Deadline but prior to the Expiration Date and that are accepted by BAC on the Acceptance Date shall be entitled to receive the Tender Offer Consideration plus Accrued Interest only, but not the Early Tender Premium, with such payment to be made on the Settlement Date, which is expected to be on or promptly following the Acceptance Date. The Offer is irrevocable, subject only to the express conditions set forth in this Offer to Purchase, including the Minimum Tender Condition and the Consent Failure Condition.

Withdrawal Rights 2004 MBIA Notes tendered prior to the Withdrawal Deadline may be validly withdrawn at any time prior to the Withdrawal Deadline. **2004 MBIA Notes tendered after the Withdrawal Deadline may not be validly withdrawn, unless BAC is required by applicable law to permit withdrawal. See “The Offer — Withdrawal of Tenders.”** In addition, tendered 2004 MBIA Notes may be validly withdrawn if the Offer expires without any 2004 MBIA Notes being purchased pursuant thereto. In such event, the 2004 MBIA Notes tendered pursuant to the Offer will be promptly returned to the tendering Eligible Holders at the expense of BAC.

Consequences to Non-Tendering

Eligible Holders of 2004 MBIA Notes Any 2004 MBIA Notes not tendered pursuant to the Offer will remain outstanding and continue to be governed by the terms of the 2004 Indenture and any related agreements, subject to the MBIA Consent Solicitation. See “Considerations for Non-Tendering Holders of 2004 MBIA Notes.”

Certain Conditions Precedent to the Offer..... BAC’s obligation to accept and pay for 2004 MBIA Notes validly tendered, and not validly withdrawn, pursuant to the Offer is conditioned upon the satisfaction or waiver by BAC, prior to the Acceptance Date, of:

- (1) the Minimum Tender Condition;
- (2) the Consent Failure Condition; and
- (3) the General Conditions.

Subject to applicable law and the terms of the Offer, BAC may waive any of the conditions of the Offer, in whole or in part, at any time and from time to time, prior to the Expiration Date. By tendering its 2004 MBIA Notes, an Eligible Holder will be required to represent and warrant that it is an Eligible Holder and that either it has not delivered a Consent in connection with the MBIA Consent Solicitation or any Consent previously delivered by it has been timely and validly revoked and will be required to covenant that it will not deliver any Consent in connection with the MBIA Consent Solicitation (or any amendment or supplement thereto) or otherwise vote in favor of the 2004 Proposed Amendments. ELIGIBLE HOLDERS MAY NOT TENDER THEIR 2004 MBIA NOTES IN THE OFFER AND ALSO SUBMIT CONSENTS IN THE MBIA CONSENT SOLICITATION. HOWEVER, ELIGIBLE HOLDERS WHO HAVE SUBMITTED CONSENTS AND WHO TIMELY AND VALIDLY REVOKE THEIR CONSENTS MAY TENDER THEIR 2004 MBIA NOTES IN THE OFFER. See “The Offer — Conditions of the Offer.”

Certain United States Federal Income

Tax Consequences..... For a summary of certain United States federal income tax consequences of the Offer, see “Certain United States Federal Income Tax Consequences.”

Waivers; Extensions; Amendments; Termination..... Subject to applicable law and the terms of the Offer, BAC reserves the right to: (i) waive any and all conditions of the Offer; (ii) extend the Early Tender Deadline, the Withdrawal Deadline and/or the Expiration Date; (iii) amend the Offer in any manner not adverse to holders of 2004 MBIA Notes;

(iv) change the definition of Eligible Holders in the event that the record date for the MBIA Consent Solicitation is changed in order to correspond to the record date for the MBIA Consent Solicitation; or (v) terminate the Offer and not accept for purchase any 2004 MBIA Notes if, but only if, the conditions are not satisfied or waived. The foregoing rights are in addition to the right to delay acceptance for purchase of 2004 MBIA Notes tendered pursuant to the Offer or the payment of 2004 MBIA Notes accepted for purchase pursuant to the Offer in order to comply with applicable law, subject to Rule 14e-1(c) under the Exchange Act, which requires that we pay the consideration offered or return the 2004 MBIA Notes deposited by or on behalf of Eligible Holders promptly after the termination or withdrawal of the Offer. Any amendment to the Offer will apply to all 2004 MBIA Notes. See "The Offer — Expiration Date; Early Tender Deadline; Extensions; Termination; Amendments."

Brokerage Commissions..... No brokerage commissions are payable by Eligible Holders to the Dealer Manager, the Tender Agent, the Information Agent, BAC or DTC. Eligible Holders who tender their 2004 MBIA Notes through a broker, dealer, commercial bank, trust company or other nominee should consult such institution as to whether it charges any service fees.

Soliciting Dealer Fee..... BAC has agreed, upon consummation of the Offer, to pay a soliciting dealer fee equal to \$5.00 for each \$1,000 for each \$1,000 principal amount of 2004 MBIA Notes that are validly tendered and accepted for purchase pursuant to the Offer to retail brokers that are appropriately designated by their beneficial holder clients to receive this fee, provided that such fee will only be paid with respect to tenders by Eligible Holders whose aggregate principal amount of 2004 MBIA Notes is \$500,000 or less. See "The Offer — Soliciting Dealer Fee."

Dealer Manager..... Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Dealer Manager").

Tender Agent..... D.F. King & Co., Inc. (in such capacity, the "Tender Agent").

Information Agent..... D.F. King & Co., Inc. (in such capacity, the "Information Agent").

Further Information..... Additional copies of this Offer to Purchase and the accompanying Letter of Transmittal may be obtained by contacting the Information Agent at the telephone numbers

and address set forth on the back cover page of this Offer to Purchase. Questions about the Offer should be directed to the Dealer Manager at the telephone numbers and address set forth on the back cover page of this Offer to Purchase.

CERTAIN INFORMATION CONCERNING BAC AND ITS SUBSIDIARIES

BAC is a Delaware corporation, a bank holding company, and a financial holding company. Its principal executive offices are located in the Bank of America Corporate Center, 100 North Tryon Street, Charlotte, North Carolina 28255, and its telephone number is (704) 386-5681. Through its banking and various nonbanking subsidiaries throughout the U.S. and in international markets, BAC provides a diversified range of banking and nonbanking financial services and products through five business segments: *Consumer & Business Banking*, *Consumer Real Estate Services*, *Global Banking*, *Global Markets* and *Global Wealth & Investment Management*, with the remaining operations recorded in *All Other*.

AVAILABLE INFORMATION

Each of MBIA and BAC files reports, proxy statements and other information with the U.S. Securities and Exchange Commission (the "Commission"). Reports, proxy statements and other information filed by MBIA or BAC may be inspected and copied at the public reference facilities maintained by the Commission at 100 F Street, N.E., Washington, D.C. 20549. Such material may also be accessed electronically by means of the Commission's home page on the Internet at <http://www.sec.gov>.

Copies of the materials referred to in the preceding paragraph, as well as copies of any current amendment or supplement to the Offer, may also be obtained from the Information Agent at its address set forth on the back cover of this Offer to Purchase.

None of BAC, its board of directors, officers or affiliates, the Dealer Manager, the Tender Agent, the Information Agent or the Trustee assumes any responsibility for the accuracy or completeness of the information contained in any report, proxy statement or other information filed with the Commission by MBIA or for any failure by MBIA to disclose events or information which may have occurred or may affect the significance or accuracy of any such information since the date of the filing of such information with the Commission.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Offer to Purchase contains statements that may constitute “forward-looking statements” within the meaning of the securities laws. You may find these statements by looking for words such as “plan,” “believe,” “expect,” “intend,” “anticipate,” “estimate,” “project,” “potential,” “possible,” or other similar expressions, or future or conditional verbs such as “will,” “should,” “would,” and “could.” All forward-looking statements, by their nature, are subject to risks and uncertainties. Actual results may differ materially from those set forth in such forward-looking statements.

As a large, international financial services company, BAC faces risks that are inherent in the businesses and market places in which it operates. Information regarding important risks and uncertainties that should be considered with respect to BAC is contained in BAC’s annual report on Form 10-K for the year ended December 31, 2011 and BAC’s quarterly reports on Form 10-Q for the quarters ended March 31, 2012, June 30, 2012 and September 30, 2012 under the captions “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” All forward-looking statements in this Offer to Purchase with respect to BAC and all other written and oral forward-looking statements attributable to BAC or any person on its behalf are expressly qualified in their entirety by the cautionary statements contained in such filings. Forward-looking statements speak only as of the date they are made, and BAC undertakes no obligation to update any forward-looking statement to reflect the impact of circumstances or events that arise after the date the forward-looking statement was made.

The following are some of the factors, as set forth in the statement for the MBIA Consent Solicitation, that could affect MBIA’s financial performance or could cause its actual results to differ materially from estimates contained in or underlying forward-looking statements with respect to MBIA:

- uncertainty regarding whether MBIA will realize, or will be delayed in realizing, insurance loss recoveries expected in disputes with sellers/servicers of residential mortgage-backed securities (“RMBS”) transactions at the levels recorded in its consolidated financial statements;
- the possibility that MBIA will experience severe losses or liquidity needs due to increased deterioration in its insurance portfolios and in particular, due to the performance of collateralized debt obligations (“CDOs”) including multi-sector and commercial mortgage-backed securities pools and commercial real estate CDOs and RMBS;
- failure to obtain any required regulatory approvals for any action necessary to implement MBIA’s risk reduction and liquidity strategies;
- the possibility that loss reserve estimates are not adequate to cover potential claims;
- the possibility that MBIA’s obligations will be accelerated if MBIA Corp. becomes subject to a rehabilitation or liquidation proceeding;
- MBIA’s ability to access capital and its exposure to significant fluctuations in liquidity and asset values within the global credit markets, in particular within its asset/liability products segment;
- MBIA’s ability to fully implement its strategic plan, including its ability to achieve high stable ratings for National Public Finance Guarantee Corporation and its ability to commute certain of its insured exposures, including as a result of limited available liquidity;
- the resolution of litigation claims against MBIA;
- the possibility of deterioration in the economic environment and financial markets in the United States or abroad, and adverse developments in real estate market performance, credit spreads, interest rates and foreign currency levels;
- the possibility that unprecedented budget short-falls will result in credit losses or impairments on obligations of state and local governments that MBIA insures;
- changes in the MBIA’s credit ratings;

- competitive conditions for bond insurance, including potential entry into the public finance market of insurers of municipal bonds, and changes in the demand for financial guarantee insurance;
- the effects of governmental regulation, including insurance laws, securities laws, tax laws, legal precedents and accounting rules;
- the risks and uncertainties included in MBIA's filings with the Commission, including but not limited to its Annual Report on Form 10-K for the year ended December 31, 2011 under the caption "Risk Factors" ; and
- risks and uncertainties that have not been identified at this time.

None of BAC, its board of directors, officers or affiliates, the Dealer Manager, the Tender Agent, the Information Agent or the Trustee assumes any responsibility for the accuracy or completeness of the foregoing MBIA forward-looking statements or any updates thereto to reflect events or circumstances after the date of this Offer to Purchase or to reflect the occurrence of unanticipated events or for any failure by MBIA to disclose events or information which may have occurred or may affect the significance or accuracy of any such forward-looking statements.

You should not place undue reliance on any forward-looking statements, which speak only as of the dates they are made.

CONSIDERATIONS FOR NON-TENDERING HOLDERS OF 2004 MBIA NOTES

Risks Resulting from Adoption of the 2004 Proposed Amendments

If the MBIA Consent Solicitation is successful and the 2004 Proposed Amendments become effective, holders of 2004 MBIA Notes would no longer be able to accelerate the 2004 MBIA Notes should an MBIA Corp. Insolvency Event occur. Currently, the 2004 MBIA Notes would automatically accelerate without any action by holders of 2004 MBIA Notes upon an MBIA Corp. Insolvency Event. Furthermore, Holders of 2004 MBIA Notes and the Trustee would not have the right to take action against MBIA to collect the principal amount of the obligations under the 2004 MBIA Notes as a result of an MBIA Corp. Insolvency Event.

Risks Resulting from Rejection of the 2004 Proposed Amendments

If the MBIA Consent Solicitation fails and the 2004 Proposed Amendments are not adopted and an event of default occurs under the 2004 Indenture as a result of an involuntary insolvency proceeding having been commenced in respect of MBIA Corp. in which a court enters a decree or order for relief in that involuntary proceeding that remains in place for 90 days (an "MBIA Corp. Insolvency Event"), the 2004 MBIA Notes would become immediately due and payable. If unable to raise capital, MBIA may not have sufficient available liquidity to pay the principal amount of the 2004 MBIA Notes upon acceleration. If MBIA is unable to repay its obligations under the 2004 MBIA Notes upon an acceleration, the Trustee or holders of 2004 MBIA Notes could exercise their rights as creditors to force repayment, which could ultimately result in an out-of-court restructuring or the filing of a bankruptcy petition by or with respect to MBIA, which actions could adversely impact the amount you may receive in repayment of your 2004 MBIA Notes.

BAC's Interests may Diverge from Those of Other Holders

If the Offer is successfully consummated, BAC will own a majority in aggregate principal amount of the 2004 MBIA Notes outstanding. As a result, BAC could control certain actions requiring approval of holders of 2004 MBIA Notes. Affiliates of BAC have various relationships and interests, other than as a holder of 2004 MBIA Notes, with affiliates of MBIA. As a creditor of MBIA Corp. pursuant to the CMBS Transaction (as defined below), our primary reason for seeking to defeat the 2004 Proposed Amendments is to preserve the value of our claims under the CMBS Transactions. See "Purpose and Financing of the Offer — Background and Purpose of the Offer." As a result, the interests of BAC could conflict with your interests as a holder of 2004 MBIA Notes in material respects. For example, as a majority holder, BAC's consent would be required under various circumstances, including, but not limited to, certain amendments or supplements to the 2004 Indenture, which require consent of a majority of the holders of 2004 MBIA Notes.

Adverse Effects on Liquidity, Market Value, Price and Volatility of the 2004 MBIA Notes

There currently is a limited trading market for the 2004 MBIA Notes. Quotations for securities that are not widely traded, such as the 2004 MBIA Notes, may differ from actual trading prices and should be viewed as approximations. To the extent that 2004 MBIA Notes are tendered and accepted for purchase in the Offer, the trading market for the remaining 2004 MBIA Notes is expected to become more limited with possible adverse effects on the liquidity of the 2004 MBIA Notes. A debt security with a smaller outstanding principal amount available for trading (a smaller "float") may command a lower price than would a comparable debt security with a greater float. Therefore, the market price for the 2004 MBIA Notes that remain outstanding may be adversely affected to the extent the Offer reduces the float. The reduced float may also tend to make the market price more volatile. Moreover, there can be no assurance that any trading market will exist for the 2004 MBIA Notes following consummation of the Offer. The extent of the market for the 2004 MBIA Notes following consummation of the Offer will depend upon, among other things, the principal amount of the 2004 MBIA Notes that remain outstanding and available for trading after the Offer, the number of holders of 2014 MBIA Notes remaining at such time and the interest, if any, in making a market in the 2004 MBIA Notes on the part of securities firms.

Subsequent Repurchases of 2004 MBIA Notes

From time to time after the Expiration Date, BAC or its affiliates, or MBIA or its affiliates, may acquire 2004 MBIA Notes that remain outstanding, whether or not the Offer is consummated, through open market

purchases, privately negotiated transactions or otherwise, upon terms and at prices as they may determine, which may be more or less than the price to be paid for the 2004 MBIA Notes pursuant to the Offer.

CONSIDERATIONS FOR TENDERING HOLDERS OF 2004 MBIA NOTES

Right to Receive an Early Tender Premium

On the Settlement Date, upon the terms and subject to the conditions of the Offer, BAC will pay each tendering Eligible Holder whose 2004 MBIA Notes are validly tendered, and not validly withdrawn, prior to the Early Tender Deadline the Total Consideration (which includes the Early Tender Premium) plus Accrued Interest if, but only if, such 2004 MBIA Notes are accepted for purchase. If an Eligible Holder's 2004 MBIA Notes are not validly tendered pursuant to the Offer prior to the Early Tender Deadline, or such Eligible Holder's 2004 MBIA Notes are withdrawn and not properly retendered prior to the Early Tender Deadline, such Eligible Holder will not receive the Early Tender Premium. Upon the terms and subject to the conditions of the Offer, BAC will pay each Eligible Holder who validly tenders 2004 MBIA Notes after the Early Tender Deadline but prior to the Expiration Date, the Tender Offer Consideration plus Accrued Interest if, but only if, such Eligible Holder's 2004 MBIA Notes are accepted for purchase, but will not pay the Early Tender Premium to such Eligible Holders.

Conditions to the Consummation of the Offer

BAC's obligation to accept and pay for 2004 MBIA Notes validly tendered pursuant to the Offer is conditioned upon the satisfaction of: (i) the Minimum Tender Condition; (ii) the Consent Failure Condition; and (iii) the General Conditions. Subject to applicable law and the terms of the Offer, BAC may waive any of the conditions of the Offer, in whole or in part, at any time and from time to time, prior to the Expiration Date. See "The Offer — Conditions of the Offer." There can be no assurance that the Offer will be consummated or that the failure to consummate the Offer will not have a negative effect on the market price of the 2004 MBIA Notes.

Limited Ability to Withdraw Tendered 2004 MBIA Notes

Tenders of 2004 MBIA Notes made prior to the Withdrawal Deadline may be validly withdrawn at any time prior to the Withdrawal Deadline, but, subject to the limited exceptions specified herein, not thereafter. In addition, subject to applicable law and the terms of the Offer, we may extend the Expiration Date at any time before 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. Payment of the Total Consideration and the Tender Offer Consideration, as the case may be, will not be made until the Settlement Date. The Offer is irrevocable, subject only to the express conditions set forth in this Offer to Purchase, including the Minimum Tender Condition and the Consent Failure Condition. BAC also reserves the right to extend the Early Tender Date, the Withdrawal Deadline and/or the Expiration Date; to amend the Offer in a manner not adverse to holders of 2004 MBIA Notes; and to change the definition of Eligible Holders in the event that the record date for the MBIA Consent Solicitation is changed in order to correspond to the record date for the MBIA Consent Solicitation. Also, unless withdrawal is required by law, such Eligible Holders will not have the ability to withdraw their 2004 MBIA Notes or trade such 2004 MBIA Notes after the Withdrawal Deadline.

Tax Matters

See "Certain United States Federal Income Tax Consequences."

BACKGROUND AND PURPOSE AND FINANCING OF THE OFFER

Background of the Offer

BAC and its affiliates have been engaged in a number of transactions and litigation matters with MBIA and its affiliates, as described in more detail below.

CMBS Transactions

In 2006 and 2007, certain of BAC's subsidiaries such as Merrill Lynch International entered into a series of six credit default swap ("CDS") contracts with a special purpose vehicle created by MBIA, LaCrosse Financial Products, LLC ("LaCrosse"), in reference of asset portfolios with an aggregate size of approximately \$9.10 billion and a total notional exposure to LaCrosse of \$6.15 billion (the "CMBS Transactions"). MBIA Corp. provided credit support and insured debt obligations on credit derivatives entered into by LaCrosse by issuing traditional financial guaranty policies that guaranteed LaCrosse's ability to pay liabilities arising under the CDS contracts. Five of the CDS contracts in the CMBS Transactions referenced BBB rated collateral, while a sixth referenced AA rated collateral. On average, the first 32% of losses in the reference portfolios under the CMBS Transactions are subject to deductibles. As a result of the financial guaranty policies issued by MBIA Corp., MBIA Corp. is ultimately responsible under the CMBS Transactions for covering losses under the reference portfolios after the applicable deductible amounts are satisfied. As of the date of this Offer to Purchase, none of the CMBS Transactions has satisfied the applicable deductible. Pursuant to the CMBS Transactions, MBIA Corp. has provided credit support with a notional value of \$6.15 billion (against which we have established credit valuation adjustments for a significant portion).

MBIA Litigation Proceedings

MBIA / Countrywide Litigation Proceedings

BAC, Countrywide Financial Corporation ("Countrywide") and other subsidiaries and affiliates of Countrywide are named as defendants in two actions filed by MBIA Insurance Corporation (the "MBIA / Countrywide Litigation Proceedings"). The first action, *MBIA Insurance Corporation, Inc. v. Countrywide Home Loans, et al.*, is pending in the Supreme Court of the State of New York, County of New York. In April 2010, the court granted in part and denied in part the Countrywide defendants' motion to dismiss and denied BAC's motion to dismiss. The parties filed cross-appeals. On December 22, 2010, the court issued an order on MBIA's motion for use of sampling at trial, in which the court held that MBIA may attempt to prove its breach of contract and fraudulent inducement claims through examination of statistically significant samples of the securitizations at issue. In its order, the court did not endorse any of MBIA's specific sampling proposals and stated that defendants have "significant valid challenges" to MBIA's methodology that they may present at trial, together with defendants' own views and evidence. On June 30, 2011, the New York Appellate Division, First Department, issued a decision on the parties' cross-appeals. The First Department dismissed MBIA's breach of implied covenant of good faith and fair dealing claim, which reversed the trial court ruling on that claim, and otherwise affirmed the trial court's decisions.

On May 13, 2011, BAC filed a motion to sever MBIA's successor liability claim, and also sought to consolidate the successor liability claims in three other related actions for a single trial and pre-trial proceedings. On October 31, 2011, the Court substantially denied the motions, reserving the question of trial consolidation until the summary judgment phase. On April 5, 2012, the First Department affirmed the court's denial of BAC's motion to sever and consolidate, with costs. On May 25, 2011, MBIA filed a motion for partial summary judgment and to strike certain of Defendants' affirmative defenses, seeking to have the Court declare that MBIA does not need to prove causation for its fraud or contractual loan-level claims and that contractual material adverse effect language does not mean that a material breach of a representation and warranty had to be a cause of a loan default. On January 3, 2012, the court issued a decision and order granting in part and otherwise denying MBIA's motion. The court ruled that under New York Insurance Law, MBIA does not need to prove a causal link between Countrywide's alleged misrepresentations and the payments made pursuant to the policies, and that MBIA could recover "rescissory damages" (the amounts it has been required to pay pursuant to the policies less premiums received) on such claims, but must prove that it was damaged as a direct result of Countrywide's alleged material misrepresentations. The court denied the motion in its entirety on the issue of the interpretation of the "materially

and adversely affects” language. Countrywide appealed that decision to the First Department, and MBIA cross-appealed. On November 7, 2012, Countrywide perfected its appeal by filing its opening brief and the Record on Appeal. Oral argument on the appeal is expected to be heard during the First Department’s January 2013 term.

On September 19, 2012, Countrywide moved for summary judgment on MBIA’s claims of fraud, breach of the insurance agreements, indemnification, servicing breach, and punitive damages. MBIA moved for summary judgment on its claim for breach of the insurance agreements. The motions have been fully briefed, and oral argument is scheduled for December 5 and 6, 2012.

The second MBIA action, *MBIA Insurance Corporation, Inc. v. Bank of America Corporation, Countrywide Financial Corporation, Countrywide Home Loans, Inc., Countrywide Securities Corporation, et al.*, is pending in California Superior Court, Los Angeles County. MBIA purports to bring this action as subrogee to the note holders for certain securitized pools of home equity lines of credit (“HELOC”) and fixed-rate second-lien mortgage loans and seeks unspecified damages and declaratory relief. On May 17, 2010, the court dismissed the claims against the Countrywide defendants with leave to amend, but denied the request to dismiss MBIA’s successor liability claims against BAC. On June 21, 2010, MBIA filed an amended complaint re-asserting its previously dismissed claims against the Countrywide defendants, re-asserting the successor liability claim against BAC and adding Countrywide Capital Markets, LLC as a defendant. The Countrywide defendants filed a demurrer to the amended complaint, but the court declined to rule on the demurrer and instead entered an order staying the case until August 2011. On August 18, 2011, the court ordered a partial lifting of the stay to permit certain limited discovery to proceed. The stay otherwise remains in effect.

National Litigation Proceedings

BAC’s subsidiaries Merrill Lynch International and Bank of America, N.A. are among the petitioners and plaintiffs in litigation against MBIA, the NYSDFS, MBIA Corp. and/or National challenging the restructuring of MBIA Corp. and MBIA Corp.’s related-party transactions with MBIA and National in February 2009 (the “National Litigation Proceedings” and, collectively with the MBIA / Countrywide Litigation Proceedings, the “MBIA Litigation Proceedings”).

The National Litigation Proceedings comprise proceedings in New York state court, originally commenced by a group of financial institutions (including Merrill Lynch International and Bank of America, N.A.), which include: a proceeding under Article 78 of the New York CPLR (the “Article 78 Proceeding”), which names the NYSDFS’s predecessor, the New York State Insurance Department (“NYID”), former NYID Superintendent Eric Dinallo (in his official capacity), MBIA, MBIA Corp. and National as respondents; and a plenary action (the “Plenary Action”) under the New York Debtor and Creditor Law (the “DCL”), which names MBIA, MBIA Corp. and National as defendants.

In the Article 78 Proceeding, petitioners Merrill Lynch International, Bank of America, N.A. and Société Générale are seeking, among other things, a declaration that the approval by the NYSDFS under the New York Insurance Law of a series of transactions involving the restructuring of MBIA Corp. and related transactions with MBIA and National are null and void and should be reversed and, among other things, that National’s assets and business should be returned to MBIA Corp. A hearing in the Article 78 Proceeding concluded on June 7, 2012, and a decision is pending.

In the Plenary Action, plaintiffs Merrill Lynch International, Bank of America, N.A. and Société Générale are alleging that the transactions involving the restructuring of MBIA Corp. and the establishment of National were a fraudulent conveyance under the DCL, abused the corporate form, and breached the implied contractual covenant of good faith and fair dealing and therefore should be set aside or that, in the alternative, MBIA, MBIA Corp. and National should be jointly and severally liable to plaintiffs under MBIA Corp.’s financial guarantee insurance policies, or that, in the alternative, MBIA Corp. is liable to plaintiffs for money damages.

In addition, in October 2010, the petitioners in the Article 78 Proceeding commenced another proceeding under Article 78 challenging the NYID’s approval of the reset of National’s unassigned surplus to zero as of January 1, 2010. In connection with agreeing to adjourn this proceeding, National agreed that it would not pay dividends through December 19, 2012 and, in connection with the approval of a release by MBIA Corp. of contingency

reserves as of December 31, 2011, MBIA agreed with NYSDFS that National would not pay any dividends without the prior approval of the NYSDFS prior to July 19, 2013.

Purpose of the Offer

The purpose of the Offer is to induce Eligible Holders to sell their 2004 MBIA Notes to BAC rather than consent to the 2004 Proposed Amendments being sought as part of the MBIA Consent Solicitation. Our obligation to accept for purchase, and to pay for, 2004 MBIA Notes validly tendered, and not validly withdrawn, pursuant to the Offer is subject to the satisfaction or waiver by BAC of conditions, including the Consent Failure Condition which requires that MBIA shall not have obtained the requisite consent of Eligible Holders needed to validly approve the 2004 Proposed Amendments, and that the 2004 Proposed Amendments shall not have become effective.

As a creditor of MBIA Corp. pursuant to the CMBS Transactions, our primary reason for seeking to defeat the 2004 Proposed Amendments to be rejected is to preserve the value of our claims under the CMBS Transactions. MBIA has disclosed that MBIA Corp., its wholly owned subsidiary, faces a number of significant risks and contingencies, including the CMBS Transactions, which could, if realized, result in MBIA Corp. being placed into a rehabilitation or liquidation proceeding by the NYSDFS. In the event that MBIA Corp. is placed in rehabilitation or liquidation, we believe that the ability of all creditors and policyholders of MBIA Corp. to collect on existing claims against MBIA Corp., including our ability to collect on our claims pursuant to the CMBS Transactions, may be materially adversely affected.

In the MBIA Consent Solicitation, MBIA is seeking the MBIA Proposed Amendments to implement amendments to the 1990 Indenture and the 2004 Indenture to substitute National for MBIA Corp. in the definitions of "Restricted Subsidiary" in the 1990 Indenture and "Principal Subsidiaries" in the 2004 Indenture, respectively. MBIA has disclosed that the purpose of these amendments is to eliminate the risk of creating an event of default under the Indentures in the event that MBIA Corp. is placed into rehabilitation or liquidation by the NYSDFS. Because BAC believes that the MBIA Proposed Amendments increase the risk of MBIA Corp. being placed in rehabilitation or liquidation, we believe the MBIA Proposed Amendments to be highly adverse to the interests of all policyholders and creditors of MBIA Corp., including BAC as a holder of claims pursuant to the CMBS Transactions.

Amount and Sources of Funds

Assuming that (i) as of November 6, 2012, \$329,115,000 aggregate principal amount of 2004 MBIA Notes are outstanding, (ii) 100% of the outstanding principal amount of the 2004 MBIA Notes are tendered and accepted for purchase pursuant to the Offer, (iii) all holders of 2014 MBIA Notes are Eligible Holders and receive the Total Consideration, and (iv) a Settlement Date of December 12, 2012, we estimate that an aggregate amount of approximately \$329.7 million would be required to pay the Total Consideration and consummate the Offer, which amount includes Accrued Interest on the purchased 2004 MBIA Notes but does not include other fees and expenses of the Offer.

We expect to fund to fund the consideration for the Offer from available cash on hand.

THE OFFER

Terms of the Offer

Upon the terms and subject to the conditions of the Offer, BAC is offering to purchase for cash any and all of the outstanding principal amount of the 2004 MBIA Notes validly tendered prior to the Expiration Date and not validly withdrawn prior to the Withdrawal Deadline. The "Total Consideration" for each \$1,000 principal amount of 2004 MBIA Notes validly tendered, and not validly withdrawn, prior to the Early Tender Deadline and accepted for purchase pursuant to the Offer will be \$1,000. The Total Consideration includes the Early Tender Premium of \$50 per \$1,000 principal amount of 2004 MBIA Notes, payable only in respect of 2004 MBIA Notes validly tendered, and not validly withdrawn, prior to the Early Tender Deadline and accepted for purchase pursuant to the Offer. Tendering Eligible Holders will also receive Accrued Interest. Upon the terms and subject to the conditions of the Offer, each Eligible Holder who validly tenders 2004 MBIA Notes after the Early Tender Deadline but prior to the Expiration Date will be entitled to receive the Tender Offer Consideration of \$950 per \$1,000 principal

amount of 2004 MBIA Notes, plus Accrued Interest, but not the Early Tender Premium, payable only in respect of 2004 MBIA Notes that are accepted for purchase pursuant to the Offer.

2004 MBIA Notes tendered prior to the Withdrawal Deadline may be validly withdrawn prior to the Withdrawal Deadline. **2004 MBIA Notes may not be validly withdrawn after the Withdrawal Deadline, unless BAC is required by applicable law to permit withdrawal. See “The Offer — Withdrawal of Tenders.”**

Subject to the satisfaction or waiver, as applicable, of the conditions of the Offer, Eligible Holders who validly tender to the Tender Agent their 2004 MBIA Notes after the Early Tender Deadline but prior to the Expiration Date and whose 2004 MBIA Notes are accepted for purchase pursuant to the Offer will receive only the Tender Offer Consideration, but will not be entitled to receive an Early Tender Premium. Payment of the Total Consideration or the Tender Offer Consideration, as applicable, is expected to be made on the Settlement Date, which is expected to be on or promptly following the Acceptance Date. For purposes of the Offer, tendered 2004 MBIA Notes will be deemed to have been accepted for purchase if, as and when BAC gives oral notice (confirmed in writing) or written notice thereof to the Tender Agent on the Acceptance Date. The Offer is irrevocable, subject only to the express conditions set forth in this Offer to Purchase, including the Minimum Tender Condition and the Consent Failure Condition. BAC also reserves the right to extend the Early Tender Date, the Withdrawal Deadline and/or the Expiration Date. By tendering its 2004 MBIA Notes, an Eligible Holder will be required to represent and warrant that it is an Eligible Holder and that either it has not delivered a Consent in connection with the MBIA Consent Solicitation or any Consent delivered has been timely and validly revoked and will be required to covenant that it will not deliver any Consent in connection with the MBIA Consent Solicitation (or any amendment or supplement thereto) or otherwise vote in favor of the 2004 Proposed Amendments. **Eligible Holders may not tender their 2004 MBIA Notes in the Offer and also submit Consents in the MBIA Consent Solicitation. However, Eligible Holders who have submitted Consents and who timely and validly revoke their Consents may tender their 2004 MBIA Notes in the Offer.**

Eligible Holders who tender their 2004 MBIA Notes pursuant the Offer will not be required to pay fees, transfer taxes or any brokerage commissions to the Dealer Manager, the Tender Agent, the Information Agent, the Trustee, BAC or DTC with respect to the tender of 2004 MBIA Notes pursuant to the Offer. Eligible Holders who tender their 2004 MBIA Notes through a broker, dealer, commercial bank, trust company or other nominee should consult such institution as to whether it charges any service fees. We recommend Eligible Holders who tender through such institutions to consult such institutions to determine whether transaction costs are applicable if such Eligible Holders tender through such institutions and not directly to the Tender Agent. BAC will pay all charges and expenses, other than such service fees charged to Eligible Holders and certain applicable taxes, in connection with the Offer. BAC has agreed, upon consummation of the Offer, to pay a soliciting dealer fee equal to \$5.00 for each \$1,000 principal amount of 2004 MBIA Notes that are validly tendered and accepted for purchase pursuant to the Offer to retail brokers that are appropriately designated by their beneficial holder clients to receive this fee, provided that such fee will only be paid with respect to tenders by Eligible Holders whose aggregate principal amount of 2004 MBIA Notes is \$500,000 or less. See “Fees and Expenses” and “Certain United States Federal Income Tax Consequences.”

Subject to applicable law and the terms of the Offer, (i) BAC reserves the right, to extend the Early Tender Deadline, the Withdrawal Deadline and/or the Expiration Date, and (ii) BAC may waive any or all of the conditions of the Offer.

None of BAC, its board of directors, officers or affiliates, the Tender Agent, the Information Agent, the Dealer Manager, the Trustee or DTC makes any recommendation as to whether or not Eligible Holders should tender 2004 MBIA Notes pursuant to the Offer. Each Eligible Holder must make his, her or its own decision as to whether to tender 2004 MBIA Notes and, if so, the amount to tender.

Acceptance of 2004 MBIA Notes for Purchase; Payment

Upon the terms and subject to the conditions of the Offer, BAC will accept all 2004 MBIA Notes validly tendered prior to the Expiration Date and not validly withdrawn prior to the Withdrawal Deadline. BAC reserves the right to assign the right to purchase 2004 MBIA Notes pursuant to the Offer to any of its affiliates.

Subject to rules promulgated pursuant to the Exchange Act, BAC expressly reserves the right to delay acceptance of any of the 2004 MBIA Notes or to terminate the Offer and not accept for purchase any 2004 MBIA Notes not theretofore accepted if any of the conditions set forth under the heading “— Conditions of the Offer” shall not have been either satisfied or waived by BAC. BAC will make payment of the Total Consideration or the Tender Offer Consideration, as the case may be, pursuant to the Offer on the Settlement Date, which is expected to be on or promptly following the Acceptance Date. BAC reserves the right to keep the Offer open or extend the Expiration Date to a later date and time announced by BAC in accordance with applicable law. In all cases, the purchase of 2004 MBIA Notes accepted for purchase pursuant to the Offer will be made only after timely receipt by the Tender Agent of (1) timely confirmation of a book-entry transfer of such 2004 MBIA Notes into the Tender Agent’s account at DTC or, in the case of 2004 MBIA Notes held in physical form, certificates representing such 2004 MBIA Notes, in each case, pursuant to the procedures set forth under “— Procedures for Tendering 2004 MBIA Notes,” (2) the Letter of Transmittal (or facsimile thereof), properly completed and duly executed (or an Agent’s Message (as defined below) if such 2004 MBIA Notes are tendered through DTC’s ATOP procedures); and (3) any other documents required by the Letter of Transmittal.

For purposes of the Offer, BAC will be deemed to have accepted for purchase 2004 MBIA Notes that have been validly tendered and not validly withdrawn (and any defectively tendered 2004 MBIA Notes with respect to which BAC has waived such defect), if, as and when BAC gives oral notice (confirmed in writing) or written notice to the Tender Agent of its acceptance for purchase of such 2004 MBIA Notes on the Acceptance Date. Tenders of 2004 MBIA Notes will be accepted in denominations of \$1,000 and integral multiples thereof, provided that any Eligible Holder may tender all 2004 MBIA Notes held by such Eligible Holder.

Payment for 2004 MBIA Notes validly tendered pursuant to the Offer and accepted for purchase will be made by BAC by depositing such payment with DTC, which will act as agent for the tendering Eligible Holders for the purpose of receiving the Total Consideration or the Tender Offer Consideration, as the case may be, and transmitting the Total Consideration or the Tender Offer Consideration, as the case may be, plus Accrued Interest to such Eligible Holders. Upon the terms and subject to the conditions of the Offer, delivery by DTC of (a) the Total Consideration plus Accrued Interest shall be made on the Settlement Date for 2004 MBIA Notes that have been validly tendered and not validly withdrawn (or, with respect to defectively tendered 2004 MBIA Notes, if BAC has waived such defect) prior to the Early Tender Deadline and accepted for purchase, or (b) the Tender Offer Consideration plus Accrued Interest shall be made on the Settlement Date for 2004 MBIA Notes that have been validly tendered (or, with respect to defectively tendered 2004 MBIA Notes, if BAC has waived such defect) after the Early Tender Deadline but prior to the Expiration Date and accepted for purchase. **Under no circumstances will any interest be payable by BAC on the Total Consideration or the Tender Offer Consideration because of any delay by or on behalf of DTC or the Tender Agent in making payments to the tendering Eligible Holders. BAC expressly reserves the right, subject to Rule 14e-1(c) under the Exchange Act, to delay acceptance for purchase of the 2004 MBIA Notes in order to comply, in whole or in part, with any applicable law.**

All questions as to the form of documents and the validity and eligibility (including the time of receipt) of tenders and withdrawals of 2004 MBIA Notes will be determined by BAC, which determination will be final and binding to the extent permitted by law. BAC reserves the absolute right to (i) reject any or all tenders of 2004 MBIA Notes that are not in proper form or the acceptance of which would, in the opinion of counsel for BAC, be unlawful; and (ii) waive any irregularities or conditions of tender as to particular 2004 MBIA Notes. BAC’s interpretation of the terms and conditions of the Offer will be final and binding. Unless waived, any irregularities or defects in connection with tenders of 2004 MBIA Notes must be cured within such time as BAC determines. Neither BAC nor the Tender Agent shall be under any duty to give notification of irregularities or defects in such tenders or incur any liability for failure to give such notification. Tenders of 2004 MBIA Notes will not be deemed to have been made until such irregularities have been cured to the satisfaction of, or waived by, BAC.

If, for any reason whatsoever, acceptance for purchase of any 2004 MBIA Notes tendered pursuant to the Offer is delayed, or BAC is unable to accept for purchase 2004 MBIA Notes tendered pursuant to the Offer, then, without prejudice to BAC’s rights set forth herein, the Tender Agent may nevertheless, on behalf of BAC, and subject to rules promulgated pursuant to the Exchange Act, retain tendered 2004 MBIA Notes, and such 2004 MBIA Notes may not be withdrawn except to the extent that the tendering Eligible Holder of such 2004 MBIA Notes is entitled to withdrawal rights as described herein. See “— Withdrawal of Tenders.”

If any tendered 2004 MBIA Notes are not accepted for purchase because of an invalid tender, the occurrence or non-occurrence of certain other events set forth herein or otherwise, then such unaccepted 2004 MBIA Notes will be returned to the Eligible Holder (if held in physical form) or will be credited to the account maintained at DTC from which such 2004 MBIA Notes were delivered (if held in book-entry form through DTC) as promptly as practicable after the Expiration Date or the termination or withdrawal of the Offer.

No alternative, conditional or contingent tenders of 2004 MBIA Notes will be accepted. A tendering Eligible Holder, by electronically transmitting its acceptance through ATOP, waives all rights to receive notice of acceptance of such Eligible Holder's 2004 MBIA Notes for purchase.

It is a condition precedent to BAC's obligation to purchase the 2004 MBIA Notes pursuant to the Offer that the following conditions have been satisfied or have been waived by BAC: (i) the Minimum Tender Condition; (ii) the Consent Failure Condition; and (iii) the General Conditions. See "— Conditions of the Offer."

Procedures for Tendering 2004 MBIA Notes

An Eligible Holder will not be eligible to receive the Total Consideration unless such Eligible Holder validly tenders, and does not validly withdraw, its 2004 MBIA Notes pursuant to the Offer prior to the Early Tender Deadline and such 2004 MBIA Notes are accepted for purchase pursuant to the Offer. An Eligible Holder who validly tenders its 2004 MBIA Notes pursuant to the Offer after the Early Tender Deadline but prior to the Expiration Date will be eligible to receive only the Tender Offer Consideration if such 2004 MBIA Notes are accepted for purchase pursuant to the Offer. It is your responsibility to properly tender your 2004 MBIA Notes. BAC reserves the right to waive any defects; however, BAC is not required to waive any defects and is not required to notify you of defects in your tender. Upon the terms and subject to the conditions of the Offer, payment of the Total Consideration or the Tender Offer Consideration, as applicable, for 2004 MBIA Notes validly tendered and accepted for purchase shall be made on the Settlement Date.

Tender of 2004 MBIA Notes. The tender of 2004 MBIA Notes by an Eligible Holder (and subsequent acceptance of such tender by BAC) pursuant to one of the procedures set forth below will constitute an agreement between such Eligible Holder and BAC in accordance with the terms and subject to the conditions set forth herein and in the Letter of Transmittal.

Only holders of record of 2004 MBIA Notes as of 5:00 p.m., New York City time, on November 6, 2012, and who have the right to grant or withhold consent to the 2004 Proposed Amendments are authorized to tender their 2004 MBIA Notes. The procedures by which 2004 MBIA Notes may be tendered by beneficial owners that are not Eligible Holders will depend upon the manner in which the 2004 MBIA Notes are held. Eligible Holders who wish to transfer 2004 MBIA Notes prior to the Early Tender Deadline and who wish to retain the benefit of the Early Tender Premium or wish to provide such benefit to a transferee should validly tender the 2004 MBIA Notes, designating the payee in the box marked "Special Payment Instructions" contained in the Letter of Transmittal.

Tender of 2004 MBIA Notes Held in Physical Form. To effectively tender 2004 MBIA Notes held in physical form pursuant to the Offer, a properly completed Letter of Transmittal (or a facsimile thereof duly executed by the Eligible Holder thereof), together with certificates representing such 2004 MBIA Notes, and any other documents required by the Letter of Transmittal, with the signature thereon guaranteed if required by Instruction 1 of the Letter of Transmittal, must be received by the Tender Agent at its address set forth on the back cover page of this Offer to Purchase (or delivery of 2004 MBIA Notes may be effected through the deposit of 2004 MBIA Notes with DTC and making book-entry delivery as set forth below), prior to the Early Tender Deadline or the Expiration Date, as applicable. **Letters of Transmittal, any certificates evidencing 2004 MBIA Notes tendered pursuant to the Offer and any other required documents should be sent only to the Tender Agent and should not be sent to BAC, DTC, the Dealer Manager or the Trustee.**

If 2004 MBIA Notes are registered in the name of a person other than the person executing the Letter of Transmittal with respect to such 2004 MBIA Notes, then, in order to validly tender such 2004 MBIA Notes pursuant to the Offer, the 2004 MBIA Notes must be endorsed or accompanied by an appropriate written instrument or instruments of transfer executed by such registered Eligible Holder or Eligible Holders as its or their name or names appears thereon, with the signature(s) on the 2004 MBIA Notes or instruments of transfer guaranteed as provided below.

Tender of 2004 MBIA Notes Held Through a Custodian or Nominee. To effectively tender 2004 MBIA Notes that are held of record by a broker, dealer, commercial bank, trust company or other nominee, the beneficial owner thereof must contact and instruct such registered Eligible Holder to deliver a Letter of Transmittal on the beneficial owner's behalf. Any beneficial owner of 2004 MBIA Notes held of record by DTC or its nominee, through authority granted by DTC, may direct the DTC participant through which such beneficial owner's 2004 MBIA Notes are held through DTC to execute, on such beneficial owner's behalf, a Letter of Transmittal with respect to 2004 MBIA Notes beneficially owned by such beneficial owner.

Tender of 2004 MBIA Notes Held Through DTC. To effectively tender 2004 MBIA Notes that are held through DTC, DTC participants should either (i) properly complete and duly execute the Letter of Transmittal (or a facsimile thereof) and mail or deliver the Letter of Transmittal or such facsimile pursuant to the procedure for book-entry transfer set forth below, together with any other documents required by the Letter of Transmittal, or (ii) transmit their acceptance through ATOP, for which the transaction will be eligible, and DTC will then edit and verify the acceptance and send an Agent's Message to the Tender Agent for its acceptance. Delivery of tendered 2004 MBIA Notes must be made to the Tender Agent pursuant to the book-entry delivery procedures set forth below.

The method of delivery of 2004 MBIA Notes, Letters of Transmittal, any required signature guarantees and any other required documents, including delivery through DTC and any acceptance of Agent's Messages transmitted through ATOP, is at the election and risk of the Eligible Holder tendering 2004 MBIA Notes and delivering Letters of Transmittal and any other required documents and, except as otherwise provided in the Letter of Transmittal, delivery will be deemed made only when actually received by the Tender Agent. If delivery is by mail, it is suggested that the Eligible Holder use properly insured, registered mail with return receipt requested, and that the mailing be made sufficiently in advance of the Early Tender Deadline or the Expiration Date, as applicable, to permit delivery to the Tender Agent prior to such date.

Unless the 2004 MBIA Notes being tendered are deposited with the Tender Agent prior to the Expiration Date (accompanied by a properly completed and duly executed Letter of Transmittal or a properly transmitted Agent's Message), BAC may, at its option, reject such tender. Payment for the 2004 MBIA Notes will be made only against deposit of the tendered 2004 MBIA Notes and delivery of any other required documents.

Book-Entry Delivery Procedures. The Tender Agent will establish accounts with respect to the 2004 MBIA Notes at DTC for purposes of the Offer within two business days after the date of this Offer to Purchase, and any financial institution that is a participant in DTC may make book-entry delivery of the 2004 MBIA Notes by causing DTC to transfer such 2004 MBIA Notes into the Tender Agent's account in accordance with DTC's procedures for such transfer. Timely book-entry delivery of 2004 MBIA Notes pursuant to the Offer, however, requires receipt of a confirmation (a "Book-Entry Confirmation") prior to the Early Tender Deadline or the Expiration Date, as applicable. Although delivery of 2004 MBIA Notes may be effected through book-entry transfer into the Tender Agent's account at DTC, the Letter of Transmittal (or facsimile thereof), with any required signature guarantees or an Agent's Message in connection with a book-entry transfer and any other required documents, must, in any case, be transmitted to and received by the Tender Agent at one or more of its addresses set forth on the back cover page of this Offer to Purchase prior to Early Tender Deadline to be eligible to receive the Total Consideration, or prior to the Expiration Date to be eligible to receive the Tender Offer Consideration. Tenders of 2004 MBIA Notes will not be deemed validly made until such documents are received by the Tender Agent. **Delivery of documents to DTC does not constitute delivery to the Tender Agent.**

The term "Agent's Message" means a message transmitted by DTC to, and received by, the Tender Agent and forming a part of the Book-Entry Confirmation, which states that DTC has received an express acknowledgment from each participant in DTC tendering the 2004 MBIA Notes and that such participants have received the Letter of Transmittal and agree to be bound by the terms of the Letter of Transmittal, and BAC may enforce such agreement against such participants.

Signature Guarantees. Signatures on all Letters of Transmittal must be guaranteed by a recognized participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program or the Stock Exchange Medallion Program (each, a "Medallion Signature Guarantor"), unless the 2004 MBIA Notes tendered thereby are tendered (i) by a registered Eligible Holder (or by a participant in DTC whose name appears on a security position listing as the owner of such 2004 MBIA Notes) who has not completed

either the box entitled "Special Delivery Instructions" or "Special Payment or Issuance Instructions" on the Letter of Transmittal or (ii) for the account of a member firm of a registered national securities exchange, a member of the Financial Industry Regulatory Authority, Inc. or a commercial bank or trust company having an office or correspondent in the United States (each of the foregoing being referred to as an "Eligible Institution"). See Instruction 1 to the Letter of Transmittal. If the 2004 MBIA Notes are registered in the name of a person other than the signatory to the Letter of Transmittal or if 2004 MBIA Notes not accepted for purchase or not tendered are to be returned to a person other than the registered Eligible Holder, then the signatures on the Letters of Transmittal accompanying the tendered 2004 MBIA Notes must be guaranteed by a Medallion Signature Guarantor. See Instructions 1 and 2 to the Letter of Transmittal.

Mutilated, Lost, Stolen or Destroyed Certificates. If an Eligible Holder desires to tender 2004 MBIA Notes, but the certificates evidencing such 2004 MBIA Notes have been mutilated, lost, stolen or destroyed, such Eligible Holder should contact the Trustee for further instructions.

Determination of Validity. All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any tendered 2004 MBIA Notes pursuant to any of the procedures described above will be determined by BAC, which determination shall be final and binding. BAC reserves the absolute right to reject any or all tenders of any 2004 MBIA Notes determined by it not to be in proper form or if the acceptance for purchase of, such 2004 MBIA Notes may, in the opinion of BAC's counsel, be unlawful. Subject to applicable law, BAC also reserves the right to waive any of the conditions of the Offer or any defect or irregularity in any tender with respect to 2004 MBIA Notes of any Eligible Holder, whether or not similar defects or irregularities are waived in the case of other Eligible Holders. BAC's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the instructions thereto) shall be final and binding. None of BAC, its board of directors, officers or affiliates, the Tender Agent, the Information Agent, the Dealer Manager, the Trustee, DTC or any other person will be under any duty to give notification of any defects or irregularities in tenders or will incur any liability for failure to give any such notification. If BAC waives its right to reject a defective tender of 2004 MBIA Notes, the Eligible Holder will be entitled to the Total Consideration or the Tender Offer Consideration, as applicable.

No Guaranteed Delivery. **There are no guaranteed delivery procedures provided for by BAC in conjunction with the Offer under the terms of this Offer to Purchase or the Letter of Transmittal. Eligible Holders must timely tender their 2004 MBIA Notes in accordance with the procedures set forth herein.**

Withdrawal of Tenders

2004 MBIA Notes tendered prior to the Withdrawal Deadline may be validly withdrawn prior to the Withdrawal Deadline. **2004 MBIA Notes may not be validly withdrawn after the Withdrawal Deadline, unless BAC is required by applicable law to permit withdrawal.** In addition, tendered 2004 MBIA Notes may be validly withdrawn if the Offer expires without any 2004 MBIA Notes being purchased pursuant thereto. In such event, the 2004 MBIA Notes tendered pursuant to the Offer will be promptly returned to the tendering Eligible Holders at the expense of BAC.

If BAC makes a material change to the terms of the Offer, BAC will issue a press release and/or disseminate additional tender offer materials and extend the Offer to the extent required by law. If the Offer is amended prior to the Withdrawal Deadline in a manner determined by BAC to constitute a material change, BAC will promptly disclose such amendment and, if required by applicable law, extend the deadline for withdrawal of 2004 MBIA Notes for a period deemed by BAC to be adequate or as otherwise required by applicable law to permit Eligible Holders to withdraw their 2004 MBIA Notes. There will be no amendments that would be adverse to holders of 2004 MBIA Notes, as disclosed elsewhere in this Offer.

For a withdrawal of a tender of 2004 MBIA Notes to be effective, a written, telegraphic or facsimile transmission notice of withdrawal or a Request Message (as defined below) must be received by the Tender Agent prior to the Withdrawal Deadline at its address set forth on the back cover page of this Offer to Purchase. Any such notice of withdrawal must (i) specify the name of the person who tendered the 2004 MBIA Notes to be withdrawn, (ii) contain a description of the 2004 MBIA Notes to be withdrawn and identify the certificate number or numbers shown on the particular certificates evidencing such 2004 MBIA Notes (unless such 2004 MBIA Notes were tendered by book-entry transfer) and the aggregate principal amount of such 2004 MBIA Notes, (iii) be signed by the Eligible Holder of such 2004 MBIA Notes in the same manner as the original signature on the Letter of

Transmittal by which such 2004 MBIA Notes were tendered (including any required signature guarantees) or be accompanied by (x) documents of transfer sufficient to have the Trustee register the transfer of the 2004 MBIA Notes into the name of the person withdrawing such 2004 MBIA Notes and (y) a properly completed irrevocable proxy that authorizes such person to effect such revocation on behalf of such Eligible Holder, (iv) state that such Eligible Holder is withdrawing such Eligible Holder's election to have such 2004 MBIA Notes purchased and (v) be received by the Tender Agent at its address set forth on the back cover page of this Offer to Purchase prior to the Withdrawal Deadline. In lieu of submitting a written, telegraphic or facsimile transmission notice of withdrawal, DTC participants may electronically transmit a request for withdrawal to DTC. DTC will then edit the request and send a request message (a "Request Message") to the Tender Agent. If the 2004 MBIA Notes to be withdrawn have been delivered or otherwise identified to the Tender Agent, a Request Message or a signed notice of withdrawal is effective upon transmission of such Request Message or written, telegraphic or facsimile notice of withdrawal, even if physical release is not yet effected. Any 2004 MBIA Notes properly withdrawn will be deemed to be not validly tendered for purposes of the Offer. Withdrawn 2004 MBIA Notes may be retendered by following one of the procedures described under "— Procedures for Tendering 2004 MBIA Notes" at any time prior to the Expiration Date.

Withdrawal of 2004 MBIA Notes can only be accomplished in accordance with the foregoing procedures.

Any permitted withdrawals of tendered 2004 MBIA Notes may not be rescinded. However, withdrawn 2004 MBIA Notes may be retendered prior to the Expiration Date by following the procedures set forth herein. In such case, 2004 MBIA Notes that are not properly retendered prior to the Early Tender Deadline will not receive the Early Tender Premium.

If BAC extends the Offer or is delayed in its acceptance for purchase of the 2004 MBIA Notes or is unable to purchase 2004 MBIA Notes pursuant to the Offer for any reason, then, without prejudice to BAC's rights hereunder, tendered 2004 MBIA Notes may be retained by the Tender Agent on behalf of BAC and may not be withdrawn (subject to Rule 14e-1(c) under the Exchange Act, which requires that an offeror pay the consideration offered or return the securities deposited by or on behalf of security holders promptly after termination or withdrawal of a tender offer), except as otherwise provided herein.

All questions as to the validity (including time of receipt) of notices of withdrawal of 2004 MBIA Notes will be determined by BAC, which determination shall be final and binding. None of BAC, its board of directors, officers or affiliates, the Tender Agent, the Information Agent, the Dealer Manager, the Trustee, DTC or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

Conditions of the Offer

Notwithstanding any other provision of the Offer, BAC shall not be required to accept any 2004 MBIA Notes for purchase, and may terminate, extend or amend the Offer and may postpone, subject to Rule 14e-1 under the Exchange Act, the acceptance of 2004 MBIA Notes so tendered if, prior to the Acceptance Date, any of the following conditions have not been satisfied, amended or waived:

(1) the Minimum Tender Condition: there having been validly tendered pursuant to the Offer, and not validly withdrawn, not less than a majority in aggregate principal amount of the 2004 MBIA Notes outstanding;

(2) the Consent Failure Condition: this condition shall be deemed to be satisfied if MBIA shall not have obtained the requisite consent of Eligible Holders needed to validly approve the 2004 Proposed Amendments, and the 2004 Proposed Amendments shall not have become effective; and

(3) the General Conditions (as defined below).

By tendering its 2004 MBIA Notes, an Eligible Holder will be required to represent and warrant that it is an Eligible Holder and that either it has not delivered a Consent in connection with the MBIA Consent Solicitation or any Consent delivered has been timely and validly revoked and will be required to covenant that it will not deliver any Consent in connection with the MBIA Consent Solicitation (or any amendment or supplement thereto) or otherwise vote in favor of the 2004 Proposed Amendments. **Eligible Holders may not tender their 2004 MBIA Notes in the Offer and also submit Consents in the MBIA Consent Solicitation. However, Eligible Holders**

who have submitted Consents and who timely and validly revoke their Consents may tender their 2004 MBIA Notes in the Offer.

BAC also reserves the right, subject to applicable law and the terms of the Offer, to extend the Early Tender Deadline, the Withdrawal Deadline and/or the Expiration Date.

The "General Conditions" shall be deemed to be satisfied on the Acceptance Date unless any of the following conditions shall occur on or after the date of this Offer to Purchase and prior to the Acceptance Date:

(i) there shall have been any action taken or threatened, or any action pending, by or before any local, state, federal or foreign government or governmental regulatory or administrative agency or authority, or by any court or tribunal, domestic or foreign, or any statute, rule, regulation, judgment, order, stay, decree or injunction proposed, sought, promulgated, enacted, entered, enforced or deemed applicable to the Offer which, in the sole judgment of BAC, (a) might directly or indirectly prohibit, prevent, restrict or delay consummation of the Offer or otherwise relate in any manner to the Offer; (b) could materially adversely affect the business, condition (financial or otherwise), income, operations, properties, assets, liabilities or prospects of BAC and its affiliates, taken as a whole; or (c) could materially impair the contemplated benefits of the Offer to BAC or be material to Eligible Holders in deciding whether to accept the Offer;

(ii) there shall have occurred or be likely to occur any event affecting the business or financial affairs of BAC that, in the judgment of BAC, would or might result in any of the consequences referred to in clauses (a), (b) and (c) of paragraph (i) above;

(iii) there shall have occurred: (a) any general suspension of, or limitation on prices for, trading in securities in the U.S. securities or financial markets or any other significant adverse change in U.S. securities or financial markets; (b) a material impairment in the trading market for debt securities generally; (c) a declaration of a banking moratorium or any suspension of payments in respect of banks by federal or state authorities in the United States (whether or not mandatory); (d) a declaration of a national emergency, acts of terrorism involving the United States or commencement of a war, armed hostilities or other national or international crisis directly or indirectly involving the United States; (e) any limitation (whether or not mandatory) by any governmental or regulatory authority on, or any other event that, in the sole judgment of BAC, might affect the nature or extension of credit by banks or other financial institutions; (f) any significant change in U.S. currency exchange rates or a suspension of, or limitation on, the markets therefor (whether or not mandatory); or (g) in the case of any of the foregoing existing at the time of the commencement of the Offer, in the sole judgment of BAC, a material acceleration, escalation or worsening thereof; and

(iv) there shall exist, in the judgment of BAC, any actual or threatened legal impediment (including a default under an agreement, indenture or other instrument or obligation to which BAC is a party, or by which it or any of its properties is bound) to the acceptance for purchase of any of the 2004 MBIA Notes (the absence of all of the events described in subsections (i) through (iv) collectively, the "General Conditions").

The foregoing conditions are for the sole benefit of BAC and may be asserted by BAC regardless of the circumstances giving rise to any such condition (including any action or inaction by BAC) and may be amended or waived by BAC, in whole or in part, at any time and from time to time, subject to applicable law and the terms of the Offer. If any of the foregoing conditions are not satisfied, BAC may, at any time on or prior to the Expiration Date, subject to applicable law and the terms of the Offer (but in which case the Eligible Holders of tendered 2004 MBIA Notes will not be entitled to withdrawal rights unless required by law), (i) waive the unsatisfied condition or conditions with respect to the Offer and accept all validly tendered 2004 MBIA Notes not previously validly withdrawn; (ii) modify, extend or otherwise amend the Offer and retain all tendered 2004 MBIA Notes until the extended Expiration Date, subject, however, to the withdrawal rights, if any, of Eligible Holders thereof; (iii) extend the Early Tender Deadline and retain all tendered 2004 MBIA Notes; (iv) amend the terms of the Offer in any respect except as otherwise provided herein; or (v) terminate the Offer and return all 2004 MBIA Notes to the tendering Eligible Holders at no expense to the Eligible Holders. See "— Expiration Date; Early Tender Deadline; Extensions; Termination; Amendments" and "— Procedures for Tendering 2004 MBIA Notes." The failure by

BAC at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right that may be asserted at any time or from time to time. Any determination by BAC concerning the events described in this section shall be final and binding upon all persons.

Expiration Date; Early Tender Deadline; Extensions; Termination; Amendments

The Early Tender Deadline is 11:59 p.m., New York City time, on November 27, 2012, unless the Early Tender Deadline is extended or unless the Offer is terminated or withdrawn earlier by BAC. The Offer will expire on the Expiration Date; that is, 11:59 p.m., New York City time, on December 11, 2012, unless the Offer is extended.

BAC expressly reserves the right, subject to applicable law, to extend, at any time or from time to time, the Early Tender Deadline, the Withdrawal Deadline and/or the Expiration Date. BAC shall notify the Tender Agent of any extension by oral notice followed by prompt written notice and shall make a public announcement thereof, prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled Early Tender Deadline, Withdrawal Deadline or Expiration Date, as applicable. Such announcement may state that BAC is extending the Early Tender Deadline, the Withdrawal Deadline and/or the Expiration Date for a specified period or on a daily basis. There can be no assurance that BAC will exercise its right to extend the Early Tender Deadline, the Withdrawal Deadline and/or the Expiration Date. During any extension of the Offer, all 2004 MBIA Notes previously tendered pursuant thereto and not validly withdrawn will remain subject to the Offer and may be accepted for purchase on the Acceptance Date at the expiration of the Offer subject to the right, if any, of a tendering Eligible Holder to withdraw its 2004 MBIA Notes in accordance with the terms and conditions set forth herein. See “— Withdrawal of Tenders.”

BAC also expressly reserves the right, subject to applicable law, to (i) delay the acceptance for purchase of any 2004 MBIA Notes, or to delay the purchase of any 2004 MBIA Notes, pursuant to the Offer, by giving oral or written notice of such delay to the Tender Agent; (ii) terminate or withdraw the Offer and not accept for purchase any 2004 MBIA Notes, by giving oral or written notice of such termination or withdrawal to the Tender Agent if, but only if, the conditions of the Offer are not satisfied or waived; (iii) amend the Offer in any manner not adverse to holders of 2014 MBIA Notes, by giving oral or written notice of such amendment to the Tender Agent; and (iv) change the definition of Eligible Holders in the event that the record date for the MBIA Consent Solicitation is changed in order to correspond to the record date for the MBIA Consent Solicitation, by giving oral or written notice of such change to the Tender Agent. Except as otherwise provided herein or as otherwise required by applicable law, withdrawal rights with respect to 2004 MBIA Notes tendered pursuant to the Offer will not be extended or reinstated as a result of an extension or amendment of the Offer. See “— Withdrawal of Tenders.”

If BAC extends the Offer or is delayed in its acceptance for purchase of 2004 MBIA Notes or is unable to purchase 2004 MBIA Notes pursuant to the Offer for any reason, then, without prejudice to BAC's rights under the Offer, the Tender Agent may, subject to applicable law, retain tendered 2004 MBIA Notes on behalf of BAC, and such 2004 MBIA Notes may not be withdrawn, except to the extent that tendering Eligible Holders are entitled to withdrawal rights as described herein. See “— Withdrawal of Tenders.” The reservation by BAC of the right to delay acceptance for purchase of 2004 MBIA Notes is subject to the provisions of Rule 14e-1(c) under the Exchange Act, which requires that BAC pay the consideration offered or return the 2004 MBIA Notes deposited by or on behalf of Eligible Holders thereof promptly after the termination or withdrawal, as the case may be, of the Offer.

Any extension, delay, termination, withdrawal or amendment of the Offer or acceptance of tendered 2004 MBIA Notes will be followed as promptly as practicable by a public announcement thereof, with the announcement of an extension of the Offer to include disclosure of the approximate principal amount of notes deposited to date and to be issued no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. Without limiting the manner in which BAC may choose to make a public announcement of any extension, delay, termination, withdrawal or amendment of the Offer, BAC shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by issuing a press release. In the event of the expiration of the Offer without 2004 MBIA Notes being purchased, the 2004 MBIA Notes tendered pursuant to the Offer will be promptly returned to the tendering Eligible Holders. In the event that the Offer is not completed, the Total Consideration and the Tender Offer Consideration, as the case may be, will not be paid or become payable to Eligible Holders that have validly tendered their 2004 MBIA Notes in connection with the Offer. See “—Conditions of the Offer.”

If BAC makes a material change to the terms of the Offer or the information concerning the Offer, or waives any condition of the Offer that results in a material change to the circumstances of the Offer, then BAC will issue a press release and/or disseminate additional tender offer materials to the extent required under the Exchange Act and will extend the Offer for a period deemed by BAC to be adequate or otherwise required by applicable law to permit Eligible Holders adequate time to consider such materials. The Offer is irrevocable, subject only to the express conditions set forth in this Offer to Purchase, including the Minimum Tender Condition and the Consent Failure Condition.

Soliciting Dealer Fee

With respect to any 2004 MBIA Notes accepted for purchase by BAC, we will pay the relevant soliciting dealer a fee of \$5.00 for each \$1,000 principal amount of the 2004 MBIA Notes that are validly tendered and accepted for purchase pursuant to the Offer to retail brokers that are appropriately designated by their beneficial holder clients to receive this fee, provided that such fee will only be paid with respect to tenders by Eligible Holders whose aggregate principal amount of 2004 MBIA Notes is \$500,000 or less (the "Soliciting Dealer Fee"). In order to be eligible to receive the Soliciting Dealer Fee, a properly completed Soliciting Dealer Form must be delivered by the relevant soliciting dealer to the Information Agent prior to the Expiration Date. We will, in our sole discretion, determine whether a broker has satisfied the criteria for being eligible to receive a Soliciting Dealer Fee (including, without limitation, the submission of the appropriate documentation without defects or irregularities and in respect of bona fide tenders).

A soliciting dealer is a retail broker designated in the Soliciting Dealer Form and is:

- a broker or dealer in securities which is a member of any national securities exchange in the United States or of the Financial Industry Regulatory Authority; or
- a bank or trust company located in the United States.

Soliciting dealers will include any of the organizations described above even when the activities of such organization in connection with the Tender Offer consist solely of forwarding to clients materials relating to the Tender Offer and tenders of 2004 MBIA Notes as directed by beneficial owners thereof. Each soliciting dealer will confirm that each Eligible Holder that it solicits has received a copy of the Offer to Purchase, or concurrently with such solicitation provide the Eligible Holder with a copy of the Offer to Purchase. No soliciting dealer is required to make any recommendation to Eligible Holders as to whether to tender its 2004 MBIA Notes or refrain from tendering its 2004 MBIA Notes in the Tender Offer. No assumption is made, in making payment to any soliciting dealer, that its activities in connection with the Tender Offer included any activities other than those described in this paragraph. For all purposes noted in materials relating to the Tender Offer, the term "solicit" shall be deemed to mean no more than "processing Tenders" or "forwarding to customers material regarding the Tender Offer."

Soliciting dealers are not eligible to receive a Soliciting Dealer Fee with respect to 2004 MBIA Notes beneficially owned by such soliciting dealer or with respect to any 2004 MBIA Notes that are registered in the name of a soliciting dealer unless such 2004 MBIA Notes are held by such soliciting dealer as nominee and the related 2004 MBIA Notes is tendered on behalf of the beneficial owner of such 2004 MBIA Notes.

Soliciting dealers should take care to ensure that proper records are kept to document their eligibility to receive any Soliciting Dealer Fee. We and the Information Agent reserve the right to require additional information at our discretion, as deemed warranted.

No Recommendation

None of BAC, its board of directors or officers, the Information Agent, the Tender Agent, the Dealer Manager or any of their respective affiliates makes any recommendation as to whether Eligible Holders should tender their 2004 MBIA Notes pursuant to the Offer, and no one has been authorized by any of them to make such a recommendation. Each Eligible Holder must make its own decision as to whether to tender its 2004 MBIA Notes.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of certain United States federal income tax consequences of the Offer to Eligible Holders of 2004 MBIA Notes. This summary is based upon existing United States federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect. This summary does not discuss all aspects of United States federal income taxation which may be important to particular investors in light of their individual investment circumstances, such as 2004 MBIA Notes held by investors subject to special tax rules (e.g., financial institutions, insurance companies, broker-dealers, entities treated as partnerships for U.S. federal income tax purposes and their partners, and tax-exempt organizations (including private foundations)) or to persons that hold the 2004 MBIA Notes as part of a straddle, hedge, conversion, constructive sale or other integrated security transaction for United States federal income tax purposes, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, this summary does not discuss any (i) United States federal income tax consequences to a Non-United States Holder that (A) is a nonresident alien individual who is present in the United States for 183 or more days during the taxable year, (B) is engaged in the conduct of a United States trade or business, or (C) is a corporation that operates through a United States branch, or (ii) foreign, state or local tax considerations. This summary assumes that an Eligible Holder has held the 2004 MBIA Notes as "capital assets" (generally, property held for investment) under the Internal Revenue Code of 1986, as amended (the "Code"). We are not seeking a ruling from the Internal Revenue Service (the "IRS") regarding any United States federal income tax consequences of the Offer. Accordingly, there can be no assurance that the IRS will not successfully challenge one or more of the conclusions stated herein. **Each investor is urged to consult its tax advisor regarding the United States federal, state, local, and foreign income and other tax considerations of the Offer.**

TO ENSURE COMPLIANCE WITH UNITED STATES TREASURY DEPARTMENT CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF UNITED STATES FEDERAL TAX ISSUES IN THIS OFFER TO PURCHASE OR THE LETTER OF TRANSMITTAL IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SUCH TAXPAYER UNDER THE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) ELIGIBLE HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

For purposes of this summary, a "United States Holder" means a beneficial owner of a Note that is (i) an individual who is a citizen or resident of the United States, (ii) a corporation or other entity taxable as a corporation created in, or organized under the law of, the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for United States federal income tax purposes regardless of its source, or (iv) a trust if (a) it is subject to the primary supervision of a court within the United States and one or more United States persons are authorized to control all of its substantial decisions or (b) it has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person, and a "Non-United States Holder" means a beneficial owner of a Note (other than a partnership or other entity or arrangement treated as a partnership for United States federal income tax purposes) that is not a United States Holder.

If a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes is a beneficial owner of 2004 MBIA Notes, the U.S. federal income tax treatment of a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships that are beneficial owners of 2004 MBIA Notes, and partners in such partnerships, are urged to consult their tax advisors regarding the U.S. federal, state, local and non-U.S. tax consequences to them of tendering their 2004 MBIA Notes.

Consequences to Tendering United States Holders

Sale of 2004 MBIA Notes. The receipt of cash in exchange for 2004 MBIA Notes by a United States Holder will be a taxable transaction for United States federal income tax purposes. Subject to the discussion below under "Early Tender Premium," a United States Holder selling 2004 MBIA Notes pursuant to the Offer will generally recognize gain or loss for United States federal income tax purposes in an amount equal to the difference between (i) the amount of cash received (excluding amounts attributable to accrued but unpaid interest, which will be subject to tax as ordinary income to the extent not previously included in income) and (ii) such United States

Holder's adjusted tax basis in the 2004 MBIA Notes tendered. A United States Holder's adjusted tax basis in a Note will generally be equal to the cost of the 2014 MBIA Note, increased by any market discount previously included in gross income at the United States Holder's election as it accrued (as discussed below) and reduced by any amortizable bond premium that has reduced the United States Holder's income in any tax period and any prior principal payments on the 2014 MBIA Note received by the United States Holder. Except to the extent that gain is recharacterized as ordinary income pursuant to the market discount rules discussed below, such gain or loss should be (i) capital gain or loss and (ii) long term if the 2004 MBIA Notes have been held for more than one year. Certain non-corporate United States Holders (including individuals) are generally eligible for reduced rates of United States federal income taxation on net long-term capital gains. The deductibility of capital losses is subject to limitations. United States Holders that purchased 2004 MBIA Notes for an amount greater than the principal amount of such 2004 MBIA Notes should consult their tax advisors regarding the rules governing amortizable bond premium that may apply to their particular circumstances.

Market Discount. An exception to the capital gain treatment described above may apply to United States Holders that purchased 2004 MBIA Notes at a "market discount" for United States federal income tax purposes. Subject to a statutorily-defined *de minimis* exception, a Note has "market discount" if its stated redemption price at maturity exceeds its tax basis immediately after the Eligible Holder's acquisition of the 2014 MBIA Note. In general, unless a United States Holder has elected to include market discount in income currently as it accrues, any gain realized by such United States Holder on the sale of 2004 MBIA Notes with market discount will be treated as ordinary income to the extent of the lesser of (a) the gain recognized or (b) the portion of the market discount that has accrued while such 2004 MBIA Notes were held by the United States Holder.

Early Tender Premium. There are no authorities that directly address the tax treatment of the receipt of the Early Tender Premium to United States Holders pursuant to the Offer to Purchase. We intend to take the position that the Early Tender Premium should be treated as part of the total consideration received in exchange for tendered 2004 MBIA Notes and should therefore be treated in the manner described above under the caption "Consequences to Tendering United States Holders – Sale of 2004 MBIA Notes." It is possible, however, that the Early Tender Premium could be treated as a separate fee or other income that would be subject to tax as ordinary income rather than as additional consideration for the 2004 MBIA Notes. United States Holders are urged to consult their tax advisors as to the proper treatment of the Early Tender Premium for United States federal income tax purposes.

Information Reporting and Backup Withholding. Sales of 2004 MBIA Notes pursuant to the Offer by United States Holders generally will be subject to information reporting requirements. In addition, certain United States Holders that fail to complete the IRS Form W-9 included in the Letter of Transmittal may be subject to backup withholding (at a 28% rate) with respect to payments the United States Holder receives pursuant to the Offer. Backup withholding is not additional tax. Amounts withheld under the backup withholding rules may be credited against a United States Holder's tax liability, and a United States Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS in a timely manner.

Consequences to Tendering Non-United States Holders

Sale of 2004 MBIA Notes. Subject to the discussion below under "Early Tender Premium," a Non-United States Holder participating in the Offer generally will not be subject to United States federal income tax on gain recognized on the sale of 2004 MBIA Notes pursuant to the Offer. Amounts received pursuant to the Offer, if any, attributable to accrued but unpaid interest on a Note by a Non-United States Holder generally will not be subject to United States federal income tax, provided that (i) the Eligible Holder does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of BAC, (ii) the Non-United States Holder is not (a) a controlled foreign corporation that is related to BAC through stock ownership or (b) a bank receiving interest on a loan entered into in the ordinary course of business and (iii) either (a) the Non-United States Holder provides BAC or its agent with a Form W-8BEN (or valid substitute form), signed under the penalties of perjury, that includes its name and address and certifies as to its Non-United States status in compliance with applicable law or (b) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business holds the 2004 MBIA Notes and provides a statement to BAC or its agent, signed under the penalties of perjury, in which the securities clearing organization, bank or other financial institution certifies that the properly executed Form W-8BEN (or valid substitute form) has been received by it from the Non-United States Holder or from another financial institution acting on behalf of the Non-United States Holder and

furnishes BAC or its agent with a copy thereof. A Non-United States Holder that does not qualify for exemption from United States federal income tax under this paragraph generally will be subject to withholding of United States federal income tax at a 30% rate (or lower applicable treaty rate) on amounts attributable to accrued interest.

Early Tender Premium. Because it is unclear under United States federal income tax law whether the Early Tender Premium constitutes additional consideration for the 2004 MBIA Notes or some other type of income (such as a fee), we intend to withhold tax from the Early Tender Premium paid to such Non-United States Holder at a rate of 30% unless a tax treaty between the United States and the country of residence of the Non-United States holder either eliminates or reduces the applicable withholding rate and such Non-United States Holder provides a properly executed IRS Form W-8BEN (or an appropriate substitute form). Alternative documentation may be provided in certain situations.

Non-United States Holders are urged to consult their tax advisors regarding the application of the United States federal income tax treatment of the Early Tender Premium and associated withholding, including eligibility for a withholding tax exemption or reduction and the possibility of filing an IRS Form W-8BEN and/or other appropriate documentation, as well as the possibility of claiming a refund.

Information Reporting and Backup Withholding. A Non-United States Holder generally will not be subject to backup withholding and information reporting (except as described below) if such Non-United States Holder provides a certificate (e.g., IRS Form W-8BEN) confirming its Non-United States status or otherwise establishes an exemption. Payment of the Early Tender Premium to a Non-United States Holder generally will be reported to the IRS and to the Non-United States Holder. Copies of applicable IRS information returns may be made available under the provisions of a specific tax treaty or agreement to the tax authorities of the country in which the Non-United States Holder resides.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be credited against a Non-United States Holder's United States federal income tax liability, and a Non-United States Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS in a timely manner. Non-United States Holders are urged to consult their tax advisors regarding the application of information reporting and backup withholding to their particular circumstances.

DEALER MANAGER

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") has been retained as sole dealer manager for the Offer and will receive customary fees for its services. In its capacity as Dealer Manager, Merrill Lynch may contact Eligible Holders regarding the Offer and may request brokers, dealers, commercial banks, trust companies and other nominees to forward this Offer to Purchase and related materials to beneficial owners of 2004 MBIA Notes.

From time to time the Dealer Manager may trade securities of MBIA for its own account or for the accounts of its customers and, accordingly, may hold long or short positions in the 2004 MBIA Notes at any time.

The Dealer Manager and its affiliates have provided in the past, and/or are currently providing, other investment banking, financial advisory and commercial banking services to BAC and its affiliates. The Dealer Manager and its affiliates may continue to provide various investment banking and other services to BAC and its affiliates, for which they would receive customary compensation from BAC or its affiliates. The Dealer Manager is a wholly owned subsidiary of BAC.

None of the Dealer Manager, the Tender Agent or the Information Agent nor any affiliate of any of them assumes any responsibility for the accuracy or completeness of the information concerning BAC, MBIA or their respective subsidiaries contained in this Offer to Purchase or the other Offer Documents, or for any failure by BAC or MBIA to disclose events that may have occurred after the date of this Offer to Purchase that may affect the significance or accuracy of this information.

Questions about the Offer should be directed to the Dealer Manager at its address and telephone number set forth on the back cover of this Offer to Purchase.

TENDER AGENT AND INFORMATION AGENT

D.F. King & Co., Inc. has been appointed as the Tender Agent for the Offer. All correspondence related to the Offer should be sent to the Tender Agent at the address set forth on the back cover page of this Offer to Purchase.

D.F. King & Co., Inc. has also been appointed as the Information Agent for the Offer. Questions and requests for assistance, including additional copies of this Offer to Purchase and any other required documents, should be directed to the Information Agent at the address and telephone numbers set forth on the back cover page of this Offer to Purchase. The Information Agent will assist with transmitting this Offer to Purchase and related materials to Eligible Holders, respond to inquiries of and provide information to Eligible Holders in connection with the Offer and provide other similar advisory services as BAC may request from time to time.

BAC will pay the Tender Agent and the Information Agent reasonable and customary compensation for their services. In addition, BAC will indemnify the Tender Agent and the Information Agent against certain liabilities in connection with their services, including liabilities under the federal securities laws.

FEES AND EXPENSES

In addition to the expenses of the Dealer Manager and the compensation of the Tender Agent and Information agent referred to above, upon consummation of the Offer, BAC has agreed to pay the Soliciting Dealer Fee of \$5.00 for each \$1,000 principal amount of 2004 MBIA Notes that are validly tendered and accepted for purchase pursuant to the Offer to retail brokers that are appropriately designated by their beneficial holder clients to receive this fee, provided that such fee will only be paid with respect to tenders by Eligible Holders whose aggregate principal amount of 2004 MBIA Notes is \$500,000 or less. BAC will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses incurred in forwarding copies of this Offer to Purchase and related documents to the beneficial owners of the 2004 MBIA Notes.

Except as set forth in this paragraph, BAC will pay or cause to be paid any transfer taxes with respect to the transfer and sale of 2004 MBIA Notes to it or its order pursuant to the Offer. If, however, payment of the Tender Offer Consideration or the Total Consideration, as applicable, is to be made to, or if tendered certificates are registered in the name of any person other than the person(s) signing the accompanying Letter of Transmittal, the amount of any transfer taxes (whether imposed on the Eligible Holder(s) or such other person) payable on account of the transfer to such person will be deducted from the Tender Offer Consideration or the Total Consideration, as applicable, unless satisfactory evidence of the payment of such taxes or an exemption therefrom is submitted.

MISCELLANEOUS

Other than with respect to the Tender Agent, the Information Agent and the Dealer Manager, neither BAC nor any of its affiliates has engaged, or made any arrangements for, and have no contract, arrangement or understanding with, any broker, dealer, agent or other person regarding the purchase of 2004 MBIA Notes hereunder, and no person has been authorized by BAC or any of its affiliates to provide any information or to make any representations in connection with the Offer, other than those expressly set forth in this Offer to Purchase, and, if so provided or made, such other information or representations must not be relied upon as having been authorized by BAC or any of its affiliates. The delivery of this Offer to Purchase shall not, under any circumstances, create any implication that the information set forth herein is correct as of any time subsequent to the date hereof.

Recipients of this Offer to Purchase and the Letter of Transmittal should not construe the contents hereof or thereof as legal, business or tax advice. Each recipient should consult its own attorney, business advisor and tax advisor as to legal, business, tax and related matters concerning the Offer.

The Tender Agent for the Offer is:

D.F. King & Co., Inc.

*By Hand, Overnight Delivery or Mail
(Registered or Certified Mail Recommended):*

D.F. King & Co., Inc.
48 Wall Street, 22nd Floor
New York, New York 10005
Attention: Elton Bagley

*By Facsimile Transmission
(for Eligible Institutions only):*

D.F. King & Co., Inc.
(212) 809-8838
Attention: Elton Bagley

*Confirm by Telephone:
(212) 493-6996*

Any questions or requests for assistance may be directed to the Dealer Manager or the Information Agent at their respective telephone numbers as set forth below. Any requests for additional copies of this Offer to Purchase, the Letter of Transmittal or related documents may be directed to the Information Agent. An Eligible Holder may also contact such Eligible Holder's broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:

D.F. King & Co., Inc.

48 Wall Street, 22nd Floor
New York, New York 10005
Attention: Elton Bagley

Banks and Brokers, Call Collect: (212) 269-5550
All Others, Call Toll Free: (800) 848-3416
Email: mbia@dfking.com

The Dealer Manager for the Offer is:

BofA Merrill Lynch

Attn: Debt Advisory
214 N Tryon Street
Charlotte, North Carolina 28255
Toll-Free: (888) 292-0070
Collect: (980) 388-4813

Appendix E

Consent Solicitation Statement
November 7, 2012

MBIA Inc.

Solicitation of Consents Relating to the Indentures Governing its
6.40% Senior Notes due 2022 / 7.00% Debentures due 2025 / 7.15% Debentures due 2027 /
6.625% Debentures due 2028 and / 5.70% Senior Notes due 2034

THE CONSENT SOLICITATION (AS DEFINED BELOW) WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON NOVEMBER 21, 2012 (SUCH DATE AND TIME, THE "EXPIRATION TIME"). HOLDERS MUST VALIDLY DELIVER CONSENTS (AS DEFINED BELOW) AT OR BEFORE THE EXPIRATION TIME IN ORDER TO BE ELIGIBLE TO RECEIVE THE CONSENT FEE (AS DEFINED BELOW). CONSENTS MAY BE REVOKED AT ANY TIME AT OR BEFORE THE EXPIRATION TIME. MBIA INC. INTENDS TO EXECUTE THE SUPPLEMENTAL INDENTURES (AS DEFINED BELOW) PROMPTLY FOLLOWING RECEIPT OF THE REQUISITE CONSENTS (AS DEFINED BELOW) AND SATISFACTION OF OTHER CONDITIONS AS SET FORTH HEREIN. THE DATE ON WHICH THE SUPPLEMENTAL INDENTURES ARE EXECUTED IS REFERRED TO AS THE "EFFECTIVE DATE." THE PROPOSED AMENDMENTS (AS DEFINED BELOW) WILL BECOME OPERATIVE AND THE CONSENT AND SOLICITING DEALER FEES WILL BECOME PAYABLE ONLY UPON THE SATISFACTION OF ALL CONDITIONS TO THE CONSENT SOLICITATION.

MBIA Inc. (the "Company," "our," "we" or "us"), is proposing to amend its 1990 Indenture and 2004 Indenture (each as defined herein). Specifically, the Company proposes to substitute one of its subsidiaries, National Public Finance Guarantee Corporation ("National"), for another subsidiary, MBIA Insurance Corporation ("MBIA Corp."), in the definition of "Restricted Subsidiary" in the 1990 Indenture and "Principal Subsidiaries" in the 2004 Indenture (the "Proposed Amendments"). In connection with the Proposed Amendments described above and herein, the Company is furnishing this Consent Solicitation Statement (as it may be amended or supplemented from time to time, the "Statement").

MBIA Corp. faces a number of significant risks and contingencies, which could, if realized, result in MBIA Corp. being placed into a rehabilitation or liquidation proceeding by the New York State Department of Financial Services. The Proposed Amendments will, by substituting National for MBIA Corp. in the definition of Principal/Restricted Subsidiary (as defined below), eliminate the risk that such a proceeding involving MBIA Corp. would cause an Event of Default under the Indentures (as defined below, with such an Event of Default referred to herein as a "Subsidiary Insolvency Default"). If there is an Event of Default under the Indentures and the Notes (as defined below) are accelerated, we believe the Company would have insufficient liquidity and capital market access to pay the obligations under the Notes. We believe that, under such circumstances, the Company would likely immediately pursue other alternatives, including negotiations with the Company's key stakeholders to pursue a restructuring, which we believe will be difficult to achieve, or protection under applicable insolvency laws (a "Company Bankruptcy"). We further believe that a Company Bankruptcy would be highly destructive of the value of the assets available to satisfy the Notes, and would impose other costs and risks on the Holders (as defined below) of the Notes. Therefore, by substituting National for MBIA Corp. in the Indentures and removing the direct link between a rehabilitation or liquidation proceeding of MBIA Corp. and a Company Bankruptcy, we believe the Proposed Amendments will improve MBIA Inc.'s ability to satisfy its obligations under the Notes and all other obligations as they come due in the event of an MBIA Corp. rehabilitation or liquidation proceeding. For a further discussion and a description of certain other considerations applicable to Holders, see the sections entitled "Questions and Answers About the Proposed Amendments," "Summary" and "Background and Certain Significant Considerations."

The Company is furnishing the Statement and the accompanying form of consent (the "Consent Form" and, together with the Statement and other documents related to the Consent Solicitation, as defined below, the "Consent Documents") to the holders of record (each, a "Holder" and, collectively, the "Holders") at 5:00 P.M., New York City time, on November 6, 2012 (the "Record Date") of each series of its outstanding securities set forth below (collectively, the "Notes"), as such Holders are reflected in the records of the Trustee under each of the Indentures (collectively, the "Trustee"). By this Statement, the Company is soliciting (the "Consent Solicitation") consents by Holders (the "Consents") to the amendment of certain provisions of the Indenture, dated as of August 1, 1990 (as amended and supplemented, the "1990 Indenture") and the Senior Indenture, dated as of November 24, 2004 (as amended and supplemented, the "2004 Indenture," and together with the 1990 Indenture, the "Indentures"), pursuant to which the Notes were issued. All capitalized terms used herein but not defined in this Statement have the meaning ascribed to them in the 1990 Indenture or the 2004 Indenture, as applicable.

Outstanding Principal Amount	Description of Securities	CUSIP Number	Indenture	Consent Fee per \$1,000 in Principal Amount of Notes
\$270,924,000	6.40% Senior Notes due 2022	55262CAH3	1990	\$10
\$55,900,000	7.00% Debentures due 2025	55262CAE0	1990	\$10
\$100,000,000	7.15% Debentures due 2027	55262CAD2	1990	\$10
\$141,378,000	6.625% Debentures due 2028	55262CAF7	1990	\$10
\$329,115,000	5.70% Senior Notes due 2034	55262CAJ9	2004	\$10

Only Holders of the Notes as of the Record Date are eligible to consent to the Proposed Amendments and receive the Consent Fee. If the Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and the beneficial owner of the Notes wishes to consent to the Proposed Amendments, the beneficial owner must promptly contact and instruct such registered Holder to deliver a Consent to the Tabulation Agent on the beneficial owner's behalf. Holders may consent to the Proposed Amendments notwithstanding that they no longer own Notes as of the date of delivery of their Consents. The Company will accept all properly completed, executed and dated Consent Forms received by the Tabulation Agent (as defined below) at or before the Expiration Time. Full instructions for completing and returning the Consents are included in the Statement at "The Solicitation—How to Consent."

In the event that the Proposed Amendments become operative, the Company will pay to the Holders of outstanding Notes who delivered a valid Consent (not subsequently revoked) at or prior to the Expiration Time an aggregate cash payment of \$10 per \$1,000 principal amount of Notes for which Consents have been delivered by such Holder (the "Consent Fee"). Holders of Notes for which no Consent is delivered will not receive any Consent Fee, even though the Proposed Amendments, if they become operative, will be applicable and binding with respect to all Holders and their transferees. With respect to any Consent accepted by the Company, the Company will also pay the relevant soliciting dealer a fee of \$5 per \$1,000 principal amount of Notes, provided that such fee will only be paid with respect to Consents by Holders whose aggregate principal amount of Notes is \$500,000 or less (the "Soliciting Dealer Fee").

Notwithstanding anything to the contrary contained herein or in any other document related to the Consent Solicitation, the Company reserves the right, in its sole discretion to (i) terminate the Consent Solicitation for any reason, (ii) extend the Expiration Time with respect to one or more series of Notes, (iii) amend the terms of the Consent Solicitation, including to waive any of the conditions to the Consent Solicitation, or (iv) modify the form or amount of the consideration to be paid with respect to one or more series of Notes, including the Consent Fee and the Soliciting Dealer Fee, pursuant to the Consent Solicitation.

If Consents are received and other conditions are satisfied, the Company intends to effect the Proposed Amendments by promptly executing Supplemental Indentures to each of the 1990 Indenture and the 2004 Indenture (collectively, the "Supplemental Indentures").

The Company has appointed i-Deal LLC as tabulation agent (the "Tabulation Agent") for Consents with respect to the Consent Solicitation and i-Deal LLC as information agent (the "Information Agent") with respect to the Consent Solicitation. None of the Trustee, the Solicitation Agent (as defined below), the Information Agent nor the Tabulation Agent makes any recommendation as to whether or not Holders should deliver Consents in response to the Consent Solicitation.

The Solicitation Agent for the Consent Solicitation (the "Solicitation Agent") is:

DEUTSCHE BANK SECURITIES

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QUESTIONS AND ANSWERS ABOUT THE PROPOSED AMENDMENTS

The following are some questions and answers regarding the Proposed Amendments. This section does not contain all of the information that may be important to you. You should carefully read this Statement and all of the Consent Documents to fully understand the terms of the Proposed Amendments, as well as the other considerations that are important to you in deciding whether to deliver your Consent. All capitalized terms used but not defined in this section are defined in other sections of this Statement.

Q: What are the Proposed Amendments?

A: The Proposed Amendments are changes that the Company proposes to make to the 1990 Indenture and the 2004 Indenture that govern the terms of the outstanding Notes. Specifically, MBIA Inc., which is the holding company parent of National and MBIA Corp., each New York domiciled financial guarantee insurers, proposes to substitute National for MBIA Corp. in the definition of “Restricted Subsidiary” in the 1990 Indenture and “Principal Subsidiaries” in the 2004 Indenture (collectively referred to in this Statement using the term “*Principal/Restricted Subsidiary*”).

Q: What changes will be made to my rights under the Notes if the Proposed Amendments become operative?

A: The Proposed Amendments, if adopted, would substitute National for MBIA Corp. in the Indentures’ definitions of Principal/Restricted Subsidiary. The Indentures provide that, if an involuntary insolvency proceeding is commenced in respect of a Principal/Restricted Subsidiary and if a court enters a decree or order for relief in that involuntary proceeding that remains in place for a specified period of time (30 days in the case of the 1990 Indenture and 90 days in the case of the 2004 Indenture, with such an occurrence being referred to in this Statement as an “*Insolvency Event*”) an Event of Default has occurred. If the Proposed Amendments are adopted, an Insolvency Event of National – but not of MBIA Corp. – would trigger a Subsidiary Insolvency Default. Additionally, certain other provisions of the Indentures relating to Principal/Restricted Subsidiaries, including provisions relating to limitations on liens on capital stock, will also be impacted, with the substantive effect that provisions currently relating to MBIA Corp. will relate instead to National. The changes effected by the Proposed Amendments do not alter the Company’s obligation to pay the principal of or interest on the Notes or alter the interest rate or maturity date of those obligations.

Q: How will I benefit from the Proposed Amendments?

A. The Company believes that Holders of the Notes would benefit from the Proposed Amendments because the amendments would remove a risk that we believe would likely result in less than full recovery by the Holders. The risk is that MBIA Inc. would be forced to file a bankruptcy petition as a result of MBIA Corp. being placed in a rehabilitation or liquidation proceeding by the New York State Department of Financial Services (“*NYDFS*”). MBIA Corp. faces a number of significant risks and contingencies which could, if realized, result in MBIA Corp. being placed by the NYDFS into a rehabilitation or liquidation proceeding and which could trigger a Subsidiary Insolvency Default, as described below under “*Background and Certain Significant Considerations—Risks of an MBIA Corp. Rehabilitation or Liquidation Proceeding that would Trigger a Subsidiary Insolvency Default.*” In the event of an MBIA Corp. Insolvency Event and in the absence of these amendments, it is likely that the Notes would be accelerated. If the Notes are accelerated we believe the Company would have insufficient liquidity and capital markets access to pay the obligations under the Notes. We believe that, under such circumstances, the Company would likely immediately pursue other alternatives, including an out of court restructuring, which we believe will be difficult to achieve, or the filing of a Company Bankruptcy. We further believe that a Company Bankruptcy would be highly destructive of the value of the assets available to satisfy the Notes, and would impose other costs and risks on the Holders of the Notes. This view is based on the following factors that we believe would result from a Company Bankruptcy:

- Reduction in the value of National in a Company Bankruptcy as a result of a distressed sale and regulatory restrictions on a sale and on other activities of National, which could also substantially delay any such transaction.
- Potential delays on asset sales and dividends and impairment of inter-company obligations that make up a substantial portion of National's investment portfolio, which could further diminish National's value to the Company's creditors.
- Assertion of additional significant claims against the Company that could rank at least *pari passu* with the Notes, including approximately \$1.6 billion on account of an intercompany obligation to MBIA Global Funding LLC ("*GFL*"), that would be triggered by a Company Bankruptcy.
- Other significant adverse economic impacts to the Holders of the Notes, including:
 - The potential for cessation of interest payments, delays in distribution and/or debt for equity conversion of the Notes.
 - The substantial administrative expense and adverse business impact on the Company.
 - Potential adverse impact on the trading prices of Notes in the secondary market.

The Purpose of the Proposed Amendments is to avoid the risk of a substantial value erosion of the Notes in the event of an MBIA Corp. Insolvency Event. In addition, by removing this risk, we believe the Proposed Amendments would improve the Company's credit standing over time and improve its ability to raise capital in the future, each of which we believe would inure to the benefit of the Holders of the Notes. As of the date of this Statement, the Company has had discussions with Moody's Investors Service, Inc. ("*Moody's*") and Standard & Poor's Financial Services LLP ("*S&P*") and expects that the rating and rating outlook of the Notes will be unchanged if the Proposed Amendments are approved.

Finally, if the Proposed Amendments are adopted and National is then placed into a rehabilitation or liquidation proceeding, a Subsidiary Insolvency Default will occur and the Notes may be accelerated as described herein. Although MBIA Corp. may also be a source of dividends to the Company in the future, the Company believes National will be its principal dividend source going forward and the primary source of payment on the Notes. Therefore, if the Proposed Amendments are adopted, Holders of Notes will have the benefit of the protections associated with the provisions related to Subsidiary Insolvency Defaults because those protections will apply with respect National instead of MBIA Corp.

Q: How do National and MBIA Corp. fit into the Company's corporate structure?

A: Until February 2009, MBIA Corp. was the parent of National, also a financial guarantee insurance company that had been acquired by MBIA Corp. in 1989. In February 2009, the Company restructured its business to re-launch National as a U.S. public finance-only financial guarantee company (the "Transformation") through several transactions, including the transfer of National (then known as MBIA Insurance Corp. of Illinois) from MBIA Corp. to a newly established holding company, National Public Finance Guarantee Holdings, Inc., that is 100% owned by MBIA Inc., and the reinsurance by National of the U.S. public finance businesses of MBIA Corp. and a third-party financial guarantor, Financial Guaranty Insurance Company. As of the date of this Statement, National holds a Baa2 rating from Moody's and a BBB rating from S&P, and MBIA Corp. holds a B3 rating from Moody's and a B rating from S&P. The Company believes that National will be the primary source of dividends and value available to satisfy its obligations under the Notes. While MBIA Corp. may also pay dividends in the future, its ability to do so in the future will depend primarily on the resolution of the risks and other factors described under "Background and Certain Significant Considerations—Risks of an MBIA Corp. Rehabilitation or Liquidation Proceeding that would Trigger a Subsidiary Insolvency Default."

Q: What will I receive if I consent to the Proposed Amendments?

A: If you consent to the Proposed Amendments, and the Supplemental Indentures are executed and the Proposed Amendments become operative, you will receive a Consent Fee of \$10 for every \$1,000 in principal amount of Notes with respect to which you deliver Consents. In addition, the Company believes that the Proposed Amendments will be beneficial to Holders because they will avoid the adverse consequences and provide the benefits described elsewhere in this Statement. See “How will I benefit from the Proposed Amendments?” above and “Background and Certain Significant Considerations—Risks of an MBIA Corp. Rehabilitation or Liquidation Proceeding that would Trigger a Subsidiary Insolvency Default” and “—Benefits to Holders of the Proposed Amendments.” If you consent to the Proposed Amendments and the Company does not receive the Requisite Consents by the Expiration Time, or if the Consent Solicitation is terminated before the Expiration Time, or if other conditions to the Proposed Amendments are not met, then your Consent will have no force and effect since the Proposed Amendments will not be consummated. In such a case, no Consent Fee will be paid and the Proposed Amendments will not become operative.

Q: What am I giving up if I consent to the Proposed Amendments?

A: If the Proposed Amendments do not become operative, Notes under the 2004 Indenture would automatically accelerate without any action by Holders upon an Insolvency Event of MBIA Corp., and the Notes issued under the 1990 Indenture would be able to be declared immediately due and payable by the Trustee or the Holders of not less than 25% in aggregate principal amount of the Notes outstanding thereunder (treated as a class). Automatic acceleration of the Notes under the 2004 Indenture would also trigger a cross-default of the Notes under the 1990 Indenture and ultimately the right of the Trustee or the Holders of the Notes under the 1990 Indenture to accelerate these Notes. If the Proposed Amendments become operative, such acceleration would no longer occur upon such an Insolvency Event of MBIA Corp. Furthermore, Holders of Notes and the Trustee would not have the right to take action against the Company to collect the principal amount of the obligations under the Notes as a result of an Insolvency Event of MBIA Corp. Thus, as described in this Statement in “Background and Certain Significant Considerations—Risks of an MBIA Corp. Rehabilitation or Liquidation Proceeding that would Trigger a Subsidiary Insolvency Default,” the Proposed Amendments will reduce the likelihood of a Company Bankruptcy as a result of a Subsidiary Insolvency Default if MBIA Corp. were to become subject to rehabilitation or liquidation proceedings.

MBIA Corp. faces a number of risks, including, among others, the risk that certain mortgage originators will continue to fail to honor contractual obligations to repurchase ineligible loans from securitizations insured by MBIA Corp., all of which increase the possibility that it could be placed into rehabilitation or liquidation proceedings as described in this Statement. In the event of such proceedings, we believe the Proposed Amendments will be beneficial for Holders of Notes as they will avoid the potential for substantial loss of value of the assets available to repay Holders of Notes in such a situation. You may have a different view about the impact of a Company Bankruptcy with respect to the Notes or your holdings of the Notes.

Q: What vote is needed in order for the Proposed Amendments to be operative?

A: The terms of the respective Indentures provide that, in order for the applicable Supplemental Indenture to be approved, Consents must be received, in the case of the 1990 Indenture, from Holders of at least a majority in principal amount of all outstanding Notes under the 1990 Indenture voting as a single class, and, in the case of the 2004 Indenture, from Holders of at least a majority in principal amount of the outstanding Notes under the 2004 Indenture (the “*Requisite Consents*”). However, the terms of the Consent Solicitation provide that, in order for the Proposed Amendments to become operative and bind all Holders and any subsequent holder of the applicable Notes, valid and unrevoked Requisite Consents

from Holders of a majority in principal amount of the outstanding Notes under each of the 1990 Indenture (voting as a single class) and the 2004 Indenture must be received prior to the Expiration Time. This means that if the required majority is received with respect to one Indenture but not the other, the Proposed Amendments will not become operative with respect to either of the Indentures.

Q: Has anyone committed to provide Consents?

A: On November 5, 2012, the Company entered into lock-up agreements with Holders of approximately 25.4% of the principal amount of the Notes outstanding under the 1990 Indenture and Holders of approximately 3.5% of the principal amount of the Notes outstanding under the 2004 Indenture pursuant to which such Holders agreed to (i) deliver or cause to be delivered, as soon as practicable, valid Consents to the Proposed Amendments and (ii) not to revoke such consents prior to 30 days after the date of this Statement, except if the terms or conditions of the Consent Solicitation are materially modified.

Q. In addition to receiving the necessary Consents from Holders, what are the other conditions to the Proposed Amendments?

A: The conditions to the Proposed Amendments becoming operative and the Consent Fee becoming payable are described in this Statement in “The Solicitation – Conditions to the Consent Solicitation” and include receipt of the necessary Consents, execution by the Company and the Trustee of the Supplemental Indentures and the absence of any legal impediment to effectiveness. In addition, the Company reserves the right, in its sole discretion, to terminate or modify the Consent Solicitation, including waiving the conditions to it becoming operative, for any reason.

Q: What happens if I consent to the Proposed Amendments and the Requisite Consents are not received or other conditions to the Proposed Amendments are not met?

A: If you consent to the Proposed Amendments and the Company does not receive the Requisite Consents by the Expiration Time, or if the Consent Solicitation is terminated before the Expiration Time, or if other conditions to the Proposed Amendments are not met, then your Consent will have no force and effect since the Proposed Amendments will not be consummated. In such a case, no Consent Fee or Soliciting Dealer Fee will be paid.

Q: What if I do not consent to the Proposed Amendments and the Proposed Amendments become operative?

A: Upon the Proposed Amendments and the Supplemental Indentures becoming operative, all holders of the Notes will be bound by the terms of the Supplemental Indentures, even if they did not deliver their Consent and did not receive a Consent Fee.

Q: When is the Effective Date of the Proposed Amendments expected to occur?

A: The Company intends to execute the Supplemental Indentures promptly following receipt of the Requisite Consents and satisfaction of the other conditions described above. The date on which the Supplemental Indentures are executed is referred to as the “Effective Date.” The Proposed Amendments will become operative and the Consent Fee and Soliciting Dealer Fee will become payable only upon the satisfaction of all conditions to the Consent Solicitation.

Q: How do I consent to the Proposed Amendments?

A: Each Holder who delivers a Consent to the Proposed Amendments in accordance with the procedures set forth in the Consent Documents will be deemed to have validly consented to the Proposed

Amendments. You should review the procedures described in the Consent Documents and in the section of this Statement entitled “The Solicitation—How to Consent,” below.

Q: How long will the solicitation for Consents remain open?

A: The Consent Solicitation will remain open until the Expiration Time, which is defined as 5:00 P.M. New York City time on November 21, 2012.

Q: Can I revoke my Consent to the Proposed Amendments once it is submitted?

A: You may revoke your Consent at any time before the Expiration Time. If the Company extends the Expiration Time with respect to one or more series of Notes, the Company may, in its sole discretion, also extend the right of the Holders of one or more of such series of Notes to revoke their Consents.

Q: Can the Company terminate or modify the Consent Solicitation?

A: Yes, notwithstanding anything to the contrary contained herein or in any other document related to the Consent Solicitation, the Company reserves the right, in its sole discretion to (i) terminate the Consent Solicitation for any reason, (ii) extend the Expiration Time with respect to one or more series of Notes, (iii) amend the terms of the Consent Solicitation, including to waive any of the conditions to the Consent Solicitation, or (iv) modify the form or amount of the consideration to be paid with respect to one or more series of Notes, including the Consent Fee and the Soliciting Dealer Fee, pursuant to the Consent Solicitation. Should the Company terminate the Consent Solicitation, any Holders who previously submitted their Consent would not receive any Consent Fee. If the Consent Solicitation, or any of the Consent Documents, are amended prior to the Effective Date in a manner determined by the Company, in its sole discretion, to constitute a material change to the terms of the Consent Solicitation, the Company shall promptly disseminate additional Consent Solicitation materials and, if necessary, extend the Expiration Time for a period deemed by the Company to be adequate to permit Holders to consider such amendments.

Q: What risks should I consider in deciding whether to consent to the Proposed Amendments?

A: In deciding whether to consent to the Proposed Amendments, you should carefully consider the discussion of risks and uncertainties affecting the Company and its subsidiaries described in the section titled “Statement Regarding Forward-Looking Statements,” which do not represent the only risks that we or you may face. Additional risks and uncertainties not currently known to us, or that we currently deem immaterial, may also affect your decision whether to consent to the Proposed Amendments. You should further review the section of this Statement titled “Background and Certain Significant Considerations” for a discussion of certain factors that should be considered in evaluating the consequences of the adoption of the Proposed Amendments. You should also carefully consider the other information and data included in this Statement for other risks that may affect you.

Q: I understand that there is litigation pending regarding the formation of National. If there is an unfavorable ruling in that litigation, what will be the impact of the Proposed Amendments?

A: MBIA Corp. and National are respondents in litigation (the “*Transformation Litigation*”) challenging the establishment of National (for a discussion of the Transformation Litigation, see “Note 13: Commitments and Contingencies” in the Notes to Consolidated Financial Statements of MBIA Inc. and Subsidiaries in Part I, Item 1 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, which are incorporated herein by reference, and this Statement at “Background and Certain Significant Considerations—Risks of an MBIA Corp. Rehabilitation or Liquidation Proceeding that would Trigger a Subsidiary Insolvency Default,” which also contains a further discussion of this question). As part of the

Transformation Litigation, the petitioners are seeking, among other things, a declaration that the approval by the NYSDFS of a series of transactions involving the establishment of National is null and void and should be reversed. There can be no assurance or certainty with respect to the nature of relief that the court would award in the event of a ruling in favor of the plaintiffs (an “*Unfavorable Ruling*”). If relief is awarded to the petitioners, it could result in National’s assets and/or business being returned to MBIA Corp.

While there can be no assurance or certainty with respect to any outcome, the Company believes that it will ultimately prevail in the Transformation Litigation. The Company further believes that the impact of the Proposed Amendments would not be materially different if the outcome of the Transformation Litigation were favorable or unfavorable to the respondents. If the Company were to prevail in the Transformation Litigation and the Proposed Amendments were adopted, National would be expected to retain its current assets and business and Holders of Notes would have the protections associated with National being included as a Principal/Restricted Subsidiary, while avoiding the negative effects resulting from a Subsidiary Insolvency Default in the event of an MBIA Corp. rehabilitation or liquidation, which are described more fully below in “Background and Certain Significant Considerations—Benefits to Holders of the Proposed Amendments.” Further, consenting Holders will have received an additional benefit in the form of the Consent Fee.

If there were an Unfavorable Ruling with the remedy described above, it is likely that MBIA Corp., as a result of its receipt of the assets or business of National, would again become a Principal/Restricted Subsidiary as defined in the Supplemental Indentures. Under such an outcome, Holders of Notes would have similar rights if the Proposed Amendments become operative to the rights they have under the current Indentures with respect to MBIA Corp., and consenting Holders will have received an additional benefit in the form of the Consent Fee.

Q: Who do I call if I have any questions about how to submit my Consent Form or any other questions relating to the Consent Solicitation or the Proposed Amendments?

A: Questions concerning the terms of the Consent Solicitation should be directed to the Solicitation Agent by telephone at 212-250-7527 (Collect) or 855-287-1922 (U.S. Toll Free). Requests for assistance in completing and delivering Consent Forms or requests for additional copies of this Statement, the Consent Form or other related documents should be directed to the Information Agent at the address or telephone number set forth on the back cover page hereof. While these parties will be available to answer questions about the Consent Solicitation, none of the Trustee, the Solicitation Agent, the Information Agent nor the Tabulation Agent will make any recommendation as to whether or not Holders should deliver Consents in response to the Consent Solicitation.

Q: Is regulatory approval required to conduct the Consent Solicitation?

A: No, the Company is not required to obtain approval to consummate the Consent Solicitation from the Securities and Exchange Commission (“SEC”), any state securities commission, the NYSDFS or any other regulatory body.

IMPORTANT NOTICE

Holders are requested to read and carefully consider the information contained herein and to deliver their Consent to the Proposed Amendments by properly completing, executing and delivering the accompanying Consent Form in accordance with the instructions set forth herein and therein.

Recipients of this Statement and the accompanying materials should not construe the contents hereof or thereof as legal, business or tax advice. Each recipient should consult its own attorney, business advisor and tax advisor as to legal, business, tax and related matters concerning the Consent Solicitation.

Holders who wish to consent must deliver their properly completed and executed Consent Form to the Tabulation Agent at the address set forth on the back cover page of this Statement and in the Consent Form in accordance with the instructions set forth herein and therein. Consents should not be delivered to the Company, the Trustee, the Solicitation Agent or the Information Agent. However, the Company reserves the right to accept any Consent received by it, the Trustee, the Solicitation Agent or the Information Agent. Under no circumstances should any person tender or deliver Notes to the Company, the Trustee, the Solicitation Agent, the Information Agent or the Tabulation Agent at any time in response to this Consent Solicitation.

Notwithstanding anything to the contrary contained herein or in any other document related to the Consent Solicitation, the Company reserves the right, in its sole discretion to (i) terminate the Consent Solicitation for any reason, (ii) extend the Expiration Time with respect to one or more series of Notes, (iii) amend the terms of the Consent Solicitation, including to waive any of the conditions to the Consent Solicitation, or (iv) modify the form or amount of the consideration to be paid with respect to one or more series of Notes, including the Consent Fee and the Soliciting Dealer Fee, pursuant to the Consent Solicitation. See "The Solicitation."

Notwithstanding anything to the contrary contained in this Statement or in any other document related to the Consent Solicitation, if the Consent Solicitation is terminated or the Requisite Consents are not received prior to the Expiration Time, the Company will not pay any Consent Fees to any Holder.

Delivering a Consent will not affect the Holder's right to sell or transfer the Notes. Each validly delivered Consent will be counted notwithstanding any transfer of the Notes to which such Consent relates, unless the procedure for revoking Consents described herein and in the Consent Form has been satisfied.

Questions concerning the terms of the Consent Solicitation should be directed to the Solicitation Agent at the address or telephone number set forth on the back cover page hereof. Requests for assistance in completing and delivering Consent Forms or requests for additional copies of this Statement, the Consent Form or other related documents should be directed to the Information Agent at the address or telephone number set forth on the back cover page hereof.

This Statement does not constitute a solicitation of Consents in any jurisdiction in which, or to or from any person to or from whom, it is unlawful to make such solicitation under applicable federal securities or blue sky laws. The delivery of this Statement shall not under any circumstances create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that there has been no change in the information set forth herein or in any attachments hereto or in the affairs of the Company or any of its affiliates since the date hereof.

No person has been authorized to give any information or to make any representation not contained in this Statement, or incorporated by reference into this Statement, and, if given or made, such information or representation may not be relied upon as having been authorized by the Company or the Trustee.

This Statement has not been approved or disapproved by the SEC, any state securities commission or the NYSDFS, nor has the SEC, any state securities commission or the NYSDFS passed upon the fairness or merits of such transaction nor upon the accuracy or adequacy of the information contained in the Consent Documents. Any representation to the contrary is unlawful.

AVAILABLE INFORMATION

The Company maintains a website at www.mbia.com. The Company is not including the information on its website as a part of, nor is it incorporating such information by reference into, this Statement, except as set forth below under "Documents Incorporated by Reference." The Company makes available through its website under the "SEC Filings" tab, free of charge, all of its SEC filings, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as is reasonably practicable after these materials have been filed with or furnished to the SEC.

Documents Incorporated by Reference

The following documents filed by us with the SEC are incorporated by reference into this Statement:

- Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, the quarter ended June 30, 2012 and the quarter ended March 31, 2012;
- Annual Report on Form 10-K for the fiscal year ended December 31, 2011;
- Current Reports on Form 8-K dated July 16, 2012, July 10, 2012, June 19, 2012 (as to Item 5.02), May 1, 2012 and April 12, 2012;
- Current Report on Form 8-K/A dated September 13, 2012; and
- Our Proxy Statement filed on March 19, 2012 for the 2012 Annual Meeting of Stockholders.

All documents subsequently filed by us with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, other than reports or portions thereof furnished under Item 2.02 or 7.01 on Form 8-K and not specifically incorporated by reference prior to the expiration or termination of the Consent Solicitation, shall be deemed to be a part of this Statement and incorporated by reference into this Statement. Any statement contained in this Statement or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Statement to the extent that a statement contained herein or in any other subsequently filed document, which also is, or is deemed to be, incorporated by reference herein, modifies or supersedes any such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Statement.

The Information Agent will provide without charge to each Holder to whom this Statement is delivered, upon the written or telephonic request of such Holder, a copy of any and all documents incorporated by reference into this Statement, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference into such documents). Requests for such documents should be directed to the Information Agent at its address and telephone number set forth on the back cover of this Statement.

Note Regarding Insurance Company Financial Information

National and MBIA Corp. are required to file detailed annual financial statements, as well as interim financial statements, with the NYSDFS. These financial statements are prepared in accordance with New York State and the National Association of Insurance Commissioners' statements of statutory accounting principles ("*U.S. STAT*") and assist our regulators in evaluating minimum standards of solvency, including minimum capital requirements, and business conduct. U.S. STAT differs from accounting principles generally accepted in the United States of America ("*U.S. GAAP*") in a number of ways. Please see the statutory accounting practices note to the consolidated financial statements of National and MBIA Corp. filed as exhibits to the Company's Annual Report on Form 10-K for the year ended December 31, 2011 for an explanation of the differences between U.S. STAT and U.S. GAAP. In this Statement, all financial information is prepared in accordance with U.S. GAAP unless indicated otherwise.

STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Statement includes statements that are not historical or current facts and are “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words “believe,” “anticipate,” “project,” “plan,” “expect,” “estimate,” “intend,” “will likely result,” “looking forward,” or “will continue” and similar expressions identify forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. The Company cautions Holders not to place undue reliance on any such forward-looking statements, which speak only to their respective dates. We undertake no obligation to publicly correct or update any forward-looking statement if the Company later becomes aware that such result is not likely to be achieved.

The following are some of the factors that could affect financial performance or could cause actual results to differ materially from estimates contained in or underlying the Company’s forward-looking statements:

- uncertainty regarding whether the Company will realize, or will be delayed in realizing, insurance loss recoveries expected in disputes with sellers/servicers of residential mortgage-backed securities (“*RMBS*”) transactions at the levels recorded in its consolidated financial statements;
- the possibility that the Company will experience severe losses or liquidity needs due to increased deterioration in its insurance portfolios and in particular, due to the performance of collateralized debt obligations (“*CDOs*”) including multi-sector and commercial mortgage-backed securities (“*CMBS*”) pools and commercial real estate (“*CRE*”) *CDOs* and *RMBS*;
- failure to obtain any required regulatory approvals for any action necessary to implement our risk reduction and liquidity strategies;
- the possibility that loss reserve estimates are not adequate to cover potential claims;
- the possibility that the Company’s obligations will be accelerated if MBIA Corp. becomes subject to a rehabilitation or liquidation proceeding;
- our ability to access capital and our exposure to significant fluctuations in liquidity and asset values within the global credit markets, in particular within our asset/liability products segment;
- our ability to fully implement our strategic plan, including our ability to achieve high stable ratings for National and our ability to commute certain of our insured exposures, including as a result of limited available liquidity;
- the resolution of litigation claims against the Company;
- the possibility of deterioration in the economic environment and financial markets in the United States (“*U.S.*”) or abroad, and adverse developments in real estate market performance, credit spreads, interest rates and foreign currency levels;
- the possibility that unprecedented budget short-falls will result in credit losses or impairments on obligations of state and local governments that we insure;
- changes in the Company’s credit ratings;
- competitive conditions for bond insurance, including potential entry into the public finance market of insurers of municipal bonds, and changes in the demand for financial guarantee insurance;

- the effects of governmental regulation, including insurance laws, securities laws, tax laws, legal precedents and accounting rules;
- the risks and uncertainties included in our filings with the SEC, including but not limited to our Annual Report on Form 10-K for the year ended December 31, 2011 under the caption “Risk Factors” incorporated by reference herein; and
- risks and uncertainties that have not been identified at this time.

SUMMARY

The following summary is provided for the convenience of the Holders. This section does not contain all of the information that may be important to you. You should carefully read this Statement and all of the Consent Documents to fully understand the terms of the Proposed Amendments, as well as the other considerations that are important to you in deciding whether to deliver your Consent. All capitalized terms used but not defined in this section are defined in other sections of this Statement.

The Company..... MBIA Inc.

The Indentures..... The Indenture, dated as of August 1, 1990 and the Senior Indenture, dated as of November 24, 2004

The Notes.....

<u>Outstanding Principal Amount</u>	<u>Description of Securities</u>	<u>CUSIP Number</u>	<u>Indenture</u>
\$270,924,000	6.40% Senior Notes due 2022	55262CAH3	1990
\$55,900,000	7.00% Debentures due 2025	55262CAE0	1990
\$100,000,000	7.15% Debentures due 2027	55262CAD2	1990
\$141,378,000	6.625% Debentures due 2028	55262CAF7	1990
\$329,115,000	5.70% Senior Notes due 2034	55262CAJ9	2004

Record Date..... 5:00 P.M., New York City time, on November 6, 2012

Holders..... The Company is soliciting Consents from all Holders of the Notes as of the Record Date.

Trustee..... The Bank of New York Mellon

Consent Solicitation..... The Company is soliciting consents by Holders to the Proposed Amendments. The Proposed Amendments are changes that the Company proposes to make to the 1990 Indenture and the 2004 Indenture that govern the terms of the outstanding Notes. See "Proposed Amendments to the Indentures." Specifically, the Company proposes to substitute one of its subsidiaries, National, for another subsidiary, MBIA Corp., in the definition of "Restricted Subsidiary" in the 1990 Indenture and "Principal Subsidiaries" in the 2004 Indenture. The Company believes the Proposed Amendments will be beneficial to the Company and its creditors, including Holders of the Notes, because they will remove the possibility of a Subsidiary Insolvency Default in the event that MBIA Corp. is placed into rehabilitation or liquidation proceedings that could result in a Company Bankruptcy. See "Background and Certain Significant Considerations—Risks of an MBIA Corp. Rehabilitation or Liquidation Proceeding that would Trigger a Subsidiary Insolvency Default."

Benefits to Holders of the Proposed Amendments	The Company believes the Proposed Amendments will be beneficial to the Company and its creditors, including Holders of the Notes, because they will remove the possibility of a Subsidiary Insolvency Default in the event that MBIA Corp. is placed into rehabilitation or liquidation proceedings, the result of which could be a Company Bankruptcy. See “Questions and Answers About the Proposed Amendments” and “Background and Certain Significant Considerations—Benefits to Holders of the Proposed Amendments.”
Consent Fee	\$10 per \$1,000 in principal amount of Notes.
Expiration Time.....	The Consent Solicitation will expire at 5:00 P.M. New York City time on November 21, 2012.
Obligation to Pay Consent Fee	In the event that (i) the Consent Solicitation is not terminated and (ii) the Requisite Consents relating to the Notes are validly delivered (and not revoked) with respect to each of the 1990 Indenture and the 2004 Indenture at or prior to the Expiration Time and (iii) the other conditions described below under “Conditions to the Effective Date” are met, the Company will pay, promptly following the consummation of the Consent Solicitation, to each Holder who delivered a valid Consent (not subsequently revoked) to the Tabulation Agent at or prior to the Expiration Time, the Consent Fee.
Requisite Consents.....	In order to approve the Proposed Amendments, the Company must receive valid and unrevoked Consents of (i) Holders of at least a majority in principal amount of all outstanding Notes under the 1990 Indenture voting as a single class, <u>and</u> (ii) Holders of at least a majority in principal amount of the outstanding Notes under the 2004 Indenture.
Conditions to the Effective Date.....	The Company’s obligation to accept valid and unrevoked Consents in respect of the Notes and to pay the Consent Fee in respect of such Consents is conditioned upon satisfaction, or waiver by the Company, of the following conditions: (1) receipt by the Tabulation Agent at or before the Expiration Time of valid and unrevoked Requisite Consents from Holders of a majority in principal amount of the outstanding Notes under each of the 1990 Indenture (voting as a single class) and the 2004 Indenture; (2) execution by the Company and the Trustee of the Supplemental Indentures embodying the Proposed Amendments, and (3) the absence of any law or regulation which would, and the absence of any injunction or action or other proceeding (pending or threatened) which (in the case of any action or proceeding if adversely determined) would, make unlawful or invalid or enjoin the implementation of the Proposed Amendments or the payment of the Consent Fee or that would question the legality or validity thereof. Subject to applicable law, the Consent Solicitation may be abandoned or terminated for any reason or at any time, in which case the Consents received will be voided and no Consent Fee will be paid to any Holders. The Consent Payment Conditions are for the benefit of the Company and may be waived or extended in the Company’s sole discretion.
Consequences of Not Delivering a Consent	Upon the Proposed Amendments becoming operative, all Holders will be bound by the terms of the Supplemental Indentures, even if they did not deliver their Consent and receive a Consent Fee.

Procedures for Delivering Consent	To effectively consent to the Proposed Amendments and be eligible to receive the Consent Fee, a properly completed Consent Form or facsimile thereof (with an original to be delivered within one business day of such facsimile transmission by overnight courier), duly executed by the Holder must be received by the Tabulation Agent at its address set forth on the back cover of this Statement at or prior to the Expiration Time. <i>See</i> “The Solicitation—How to Consent.”
Revocation of Consents	A Consent may be revoked by a Holder of the Notes if the Tabulation Agent receives the written notice of revocation of Consent (or facsimile thereof) at or prior to the earlier of the Expiration Time and the Effective Date in accordance with the procedures set forth in “The Solicitation—Revocation of Consents.” If the Company extends the Expiration Time with respect to one or more series of Notes, the Company may, in its sole discretion, also extend the right of the Holders of one or more of such series of Notes to revoke their Consents.
Soliciting Dealer Fee.....	With respect to any Consent accepted by the Company, the Company will pay the relevant soliciting dealer a fee of \$5 per \$1,000 principal amount of Notes, provided that such fee will only be paid with respect to Consents by Holders whose aggregate principal amount of Notes is \$500,000 or less. <i>See</i> “The Solicitation—Soliciting Dealer Fee.”
Certain Tax Considerations to Holders.....	For a discussion of certain U.S. federal income tax considerations relating to Holders of the Consent Solicitation, including the payment of the Consent Fee, see “U.S. Federal Income Tax Considerations.”
Solicitation Agent.....	Deutsche Bank Securities Inc.
Information and Tabulation Agent.....	i-Deal LLC

PROPOSED AMENDMENTS TO THE INDENTURES

Absent the Proposed Amendments, if an Insolvency Event occurs with respect to MBIA Corp., the Notes may become immediately due and payable. As described in “Background and Certain Significant Considerations—Risks of an MBIA Corp. Rehabilitation or Liquidation Proceeding that would Trigger a Subsidiary Insolvency Default,” we are seeking the Consents in order to avoid the risk of an Event of Default and acceleration of the Notes under the Indentures, which could have significant adverse effects for the Company and its ability to repay the Notes when due. See “Background and Certain Significant Considerations” for a discussion of certain factors that should be considered in evaluating the consequences of the adoption of the Proposed Amendments.

Each of Section 8.2 of the 1990 Indenture and Section 902 of the 2004 Indenture provides for the amendment of any provision of such Indenture (except certain provisions not relevant to the Consent Solicitation) by execution of a supplemental indenture upon the consent of Holders of at least a majority in aggregate principal amount of the outstanding Notes, which in the case of the 1990 Indenture shall vote as a single class.

Upon the execution of the Supplemental Indentures and the Proposed Amendments becoming operative, all Holders will be bound by the terms of their respective Supplemental Indentures, even if they did not deliver Consents to the Proposed Amendments. While the Company expects to execute the Supplemental Indentures promptly after the receipt of the Requisite Consents, the terms of the Supplemental Indenture will not become operative unless and until the remaining conditions to the Consent Solicitation have been satisfied or waived.

Regardless of whether the Proposed Amendments become operative, the Notes will remain outstanding in accordance with all other terms of the respective Indentures. The changes effected by the Proposed Amendments do not alter the Company’s obligation to pay the principal of or interest on the Notes or alter the interest rate or maturity date thereof, and are effective only upon the terms contained herein. As of the date of this Statement, the Company has had discussions with Moody’s and S&P and expects that the rating and rating outlook of the Notes will be unchanged if the Proposed Amendments are approved. If the Consent Solicitation is terminated, the Proposed Amendments will have no effect on the Notes or the Holders.

Amendments to Definitions

If the Proposed Amendments are enacted, the definition of “Restricted Subsidiary” set forth in Section 1.1 of the 1990 Indenture will be amended as follows:

SECTION 1.1. Certain Terms Defined.

“Restricted Subsidiary” means ~~Municipal Bond Investors Assurance Corporation~~ National Public Finance Guarantee Corporation, a New York corporation, and any ~~successor to all or substantially all of its business~~ legal successor or successor to all or substantially all of its business or assets; provided that such successor is a Subsidiary.

If the Proposed Amendments are enacted, the definition of “Principal Subsidiaries” set forth in Section 101 of the 2004 Indenture will be amended as follows:

SECTION 101. Definitions.

“Principal Subsidiaries” means ~~MBIA Insurance Corporation~~ National Public Finance Guarantee Corporation, a New York corporation or any ~~Subsidiary succeeding to any substantial part of the business now conducted by that corporation~~ legal successor or successor to any substantial part of its business or assets; provided that such successor is a Subsidiary.

Copies of the Indentures are available upon request from the Information Agent. All statements in this Statement regarding the substance of the Proposed Amendments and the Indentures are qualified in their entirety by reference to the Supplemental Indentures and the Indentures.

BACKGROUND AND CERTAIN SIGNIFICANT CONSIDERATIONS

The following considerations, in addition to the other information described elsewhere in this Statement, should be carefully considered by each Holder before deciding whether to consent to the Proposed Amendments.

Background Related to the Company

The Company, together with its consolidated subsidiaries, operates one of the largest financial guarantee insurance businesses in the industry and is a provider of asset management advisory services. These activities are managed through three business segments: U.S. public finance insurance, structured finance and international insurance and advisory services. The Company's U.S. public finance insurance business is primarily operated through National, its structured finance and international insurance business is primarily operated through MBIA Corp., and its asset management advisory services business is primarily operated through Cutwater Holdings, LLC and its subsidiaries. The holding company, MBIA Inc., and certain of its subsidiaries also manage certain other business activities, the results of which are reported in its corporate, asset/liability products, and conduit segments. The corporate segment includes revenues and expenses that arise from general corporate activities. The wind-down operations include liabilities in the form of guaranteed investment contracts and medium term notes that were issued by the Company and certain subsidiaries of the Company, and insured by MBIA Corp., and investment assets that were acquired with the proceeds of such liabilities. While the asset/liability products and conduit businesses represent separate business segments, they may be referred to collectively as "wind-down operations" as the funding programs managed through those businesses are in wind-down. Substantially all of the liabilities of the wind-down operations are insured by MBIA Corp. and would accelerate upon a Company Bankruptcy. Notwithstanding the guaranty of such liabilities by MBIA Corp., the acceleration of such liabilities could result in substantial claims against the Company. In the event that MBIA Corp. pays claims under policies that insure such liabilities, MBIA Corp. would have a claim against the Company for reimbursement of such claims paid.

Description of the Consent

By this Statement, we are seeking the Consents to adopt the Proposed Amendments as described under "Proposed Amendments to the Indentures." The Proposed Amendments, if adopted, would substitute National for MBIA Corp. in the definition of Principal/Restricted Subsidiary, such that an Insolvency Event of National – but not of MBIA Corp. – would trigger a Subsidiary Insolvency Default. If the Proposed Amendments are adopted, certain other provisions of the Indentures relating to Principal/Restricted Subsidiaries, including provisions relating to limitations on liens on capital stock, will also be impacted, with the substantive effect that provisions currently relating to MBIA Corp. will relate instead to National.

Benefits to Holders of the Proposed Amendments

MBIA Corp. faces a number of significant risks and contingencies, as described below under "—Risks of an MBIA Corp. Rehabilitation or Liquidation Proceeding that would Trigger a Subsidiary Insolvency Default," which could, if realized, result in MBIA Corp. being placed by the NYDFS into a rehabilitation or liquidation proceeding and which could trigger a Subsidiary Insolvency Default. The Proposed Amendments will eliminate the risk that such a proceeding would cause a Subsidiary Insolvency Default. The Company believes the Proposed Amendments will be beneficial to the Holders of the Notes because, in the event that an MBIA Corp. Insolvency Event results in the acceleration of the Notes, we believe the Company would have insufficient liquidity and capital markets access to pay its obligations under the Notes when due. If the Company is unable to repay its obligations under the Notes upon an acceleration, the Trustee or Holders of the Notes would likely exercise their rights as creditors to force repayment and the Company would have an immediate need to pursue other alternatives, the most likely of which, if the Company is not successful in pursuing out-of-court alternatives, is the filing of a Company Bankruptcy. We believe a Company Bankruptcy would be highly destructive of the value available to satisfy the Company's obligations under the Notes, and would impose other costs and risks on the Holders of the Notes. This view is based on the following factors that we believe would result from a Company Bankruptcy:

- **Reduction in the distributable value associated with National and other assets.** A Company Bankruptcy may cause the distributable value associated with the business and assets of the Company and its subsidiaries (including the business of National, which is the Company’s primary asset) to be impaired, given the likely forced nature of any monetization transaction of those assets. Further, because National is a regulated entity, any monetization transaction with respect to National would need approval from the NYSDFS, which could impose significant restrictions or delay on the process. Additionally, a significant part of the value of National is made up of intercompany receivables, including a \$1.6 billion secured loan to MBIA Corp. (the “*National Secured Loan*”) that may be impaired in the event that MBIA Corp. is in a rehabilitation or liquidation proceeding, which could further diminish National’s value to the Company’s creditors. Extraordinary or special dividends designed to accelerate the realization of value by the Company and its creditors would be subject to NYSDFS approval, which may be impacted by a Company Bankruptcy. In addition, the NYSDFS could seek to restrict National’s ability to pay regular dividends beyond the restrictions currently in place as described below.
- **Substantial potential dilution as a result of other asserted claims.** A Company Bankruptcy may result in the assertion of substantial claims for intercompany liabilities by subsidiaries of the Company, including a likely asserted claim of approximately \$1.6 billion on account of an intercompany obligation to GFL that would be accelerated by any Company Bankruptcy and would likely be asserted by GFL on behalf of its creditors, including third-party noteholders, to rank no less than *pari passu* with the Notes in priority of payment. In addition, a Company Bankruptcy may accelerate or trigger additional claims with respect to current third-party obligations other than the Notes and the GFL obligation, such as repurchase agreements, swap agreements and other guaranteed investment contracts, including the possibility for assertion of make-whole claims and other penalty obligations in connection with such claims, or assertion of additional litigation claims that cannot be predicted at this time. While the Company would actively challenge any non-legitimate claims asserted in any Company Bankruptcy, there can be no assurance a court would not allow such claims or that such claims would not in fact be greater than the Company’s estimated range, which could have the effect of substantial dilution in value available to satisfy the Company’s obligations under the Notes.
- Other significant potential adverse economic impacts to Holders of the Notes, including the following:
 - **Cessation of interest payments; delay.** Holders of the Notes are not likely to receive interest payments during the pendency of any Company Bankruptcy, and there is a risk that in the event of a bankruptcy filing for the Company, the Notes could be subject to conversion to equity with a market value below the amounts due on the Notes. Even in the absence of a debt-for-equity conversion, any distributions that the Holders may receive in respect of their claims in a bankruptcy proceeding may be subject to substantial delay following the commencement of the bankruptcy case and may result in less than payment in full.
 - **Administrative expense and business impact of bankruptcy filing.** The Company expects that value available for distribution to its creditors, including Holders of the Notes, would be substantially reduced if a Company Bankruptcy becomes necessary, as a result of, among other things, business deterioration, credit impacts, significant administrative expenses and management distraction that the Company anticipates would be associated with any insolvency filing. Given the complex nature of certain of the Company’s intercompany lending and loan facilities, the Company expects that any proposed plan of reorganization, as well as the validity and priority of claims against the Company, would likely be contested, leading to an extended proceeding, further delaying and possibly diluting recoveries on the Notes.
 - **Potential impact on trading prices of Notes.** The Company believes the Notes would likely lose value in the secondary market in the event of a Company Bankruptcy, in light of the risks described above and other risks that investors may perceive with respect to the amount and timing of any potential recovery to Holders at the conclusion of the Company’s bankruptcy process.

In addition to avoiding the risk of value erosion as a result of a Company Bankruptcy, the Company believes that the Proposed Amendments will improve the position of the Company to be able to satisfy its obligations under the

Notes and all other obligations as they come due. Among other things, by removing the uncertainty related to a possible Event of Default upon an Insolvency Event for MBIA Corp., the Company believes the Proposed Amendments may over time improve the credit outlook for the Company, improve its ability to raise capital in the future, and improve trading levels of the Notes, all of which will inure to the benefit of holders of the existing outstanding Notes. As of the date of this Statement, the Company has had discussions with Moody's and S&P and expects that the rating and rating outlook of the Notes will be unchanged if the Proposed Amendments are approved.

Further, if the Proposed Amendments are adopted and in the unlikely event National is placed into a rehabilitation or liquidation proceeding, a Subsidiary Insolvency Default will occur and the Notes may be accelerated. Although MBIA Corp. may also be a source of dividends in the future depending primarily on the resolution of the risks and other factors described below under "—Risks of an MBIA Corp. Rehabilitation or Liquidation Proceeding that would Trigger a Subsidiary Insolvency Default," the Company believes National will be its principal dividend source going forward and its primary source of value for repayment of the Notes. Therefore, if the Proposed Amendments are adopted, holders of Notes will have the benefit of the protections associated with the provisions related to Subsidiary Insolvency Defaults, in that those protections will apply with respect to National instead of MBIA Corp.

Subject to certain risks described below in "Risks Remaining Following Approval of the Proposed Amendments," the Company believes it will be able to meet its obligations under the Notes if MBIA Corp. were to be put into a rehabilitation or liquidation proceeding by the NYSDFS but, as a result of the Proposed Amendments, a Subsidiary Insolvency Default does not occur. Specifically, in such a circumstance, the Company is expected to be able meet its obligations to pay interest and principal on the Notes using its current resources, dividends and payments under the MBIA group tax sharing agreement from National, its ability to raise new capital through the issue of debt or equity securities, and the proceeds of an orderly sale or financing of assets, including the equity of its subsidiaries. As of September 30, 2012, the Company had cash and other liquid assets of \$335 million, excluding amounts held in escrow under the MBIA group tax sharing agreement and \$97 million not pledged directly as collateral for its asset/liability products activities. The Company believes this liquidity position is sufficient to make all scheduled payments of principal and interest on the Notes and satisfy the Company's other obligations at least through the next twelve months. The Company's ability to continue making interest and principal payments on the Notes after that date will depend on a variety of factors including the payment by National of dividends and the release to the Company of tax sharing agreement payments held in escrow under the MBIA group tax sharing agreement.

As of September 30, 2012, National had dividend capacity of \$182 million. In October 2010, the plaintiffs in the Transformation Litigation initiated a court proceeding challenging the NYSDFS' approval of the reset of National's unassigned surplus to zero as of January 1, 2010. If plaintiffs prevail in that action, National's dividend capacity would be constrained for an extended period. In connection with the adjournment of the proceeding, National has agreed that it will not pay dividends through December 19, 2012. In addition, in connection with the approval of a release of excessive contingency reserves as of December 31, 2011 in MBIA Corp., the Company has agreed that National will not pay dividends without the prior approval of the NYSDFS prior to July 19, 2013. There can be no assurance that the NYSDFS will not seek to prevent National from paying dividends to the Company after July 19, 2013. Furthermore, while the Company expects National to prevail in the litigation challenging the surplus reset, if the plaintiffs prevail, National will not have dividend capacity for the foreseeable future.

Risks of an MBIA Corp. Rehabilitation or Liquidation Proceeding that would Trigger a Subsidiary Insolvency Default

The determination to commence an MBIA Corp. rehabilitation or liquidation proceeding is not within the control of the Company. Article 74 of the New York Insurance Law ("NYIL") gives the Superintendent of the NYSDFS exclusive authority to commence rehabilitation or liquidation proceedings against a New York insurer under a variety of circumstances, including if the Superintendent finds the insurer is in such condition that its further transaction of business will be hazardous to policyholders, creditors, or the public, or if the Superintendent finds that the insurer is insolvent. MBIA Corp. faces certain key risks and contingencies as described herein that increase the possibility that it could be placed into rehabilitation or liquidation proceedings by the Superintendent. Accordingly, the purpose of this Consent Solicitation is to ensure that, if the NYSDFS commences a rehabilitation or liquidation

proceeding and therefore causes an Insolvency Event with respect to MBIA Corp., that Insolvency Event will not lead to an acceleration of the Notes under the Indentures.

If the Proposed Amendments are not adopted and a Subsidiary Insolvency Default occurs as a result of an Insolvency Event of MBIA Corp., the Notes issued under the 2004 Indenture would become immediately due and payable, and the Notes issued under the 1990 Indenture would be able to be declared immediately due and payable by the Trustee or the Holders of not less than 25% in aggregate principal amount of the Notes outstanding thereunder (treated as a class). As described further below, we do not expect that the Company would have sufficient available liquidity, if the Company is unable to raise capital, to pay the principal amount of the Notes upon acceleration. If the Company is unable to repay its obligations under the Notes upon an acceleration, the Trustee or Holders of the Notes could exercise their rights as creditors to force repayment and the Company would have an immediate need to pursue other alternatives, the most likely of which, if the Company is not successful in pursuing out-of-court alternatives, is the filing of a Company Bankruptcy, which could in turn accelerate certain of the Company's other obligations. As described in more detail below, the Company believes that a Company Bankruptcy would have a significant adverse effect on the value available for repayment of the Notes and other Company obligations.

Since the fourth quarter of 2007 through September 30, 2012, MBIA Corp. has made \$11.6 billion of cash payments, before reinsurance and collections and excluding loss adjustment expense (“LAE”) (including payments made to debt holders of consolidated variable interest entities (“VIEs”)), associated with second-lien RMBS securitizations and with commutations and claim payments relating to credit default swap contracts. These cash payments include loss payments of \$893 million made on behalf of MBIA Corp.’s consolidated VIEs. Of the \$11.6 billion, MBIA Corp. has paid \$6.6 billion of gross claims (before reinsurance and collections and excluding LAE) on policies insuring second-lien RMBS securitizations, driven primarily by an extensive number of ineligible mortgage loans being placed in the securitizations in breach of the representations and warranties of the sellers/servicers. The Company’s assessment of the ineligibility of individual mortgage loans is being challenged by the originators in litigation and there is no assurance that the Company’s determinations will prevail. See “Note 13: Commitments and Contingencies” in the Notes to Consolidated Financial Statements of MBIA Inc. and Subsidiaries in Part I, Item 1 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, which is incorporated herein by reference. MBIA Corp. is seeking to enforce its rights to have Countrywide Home Loans, Inc. (“Countrywide”), which is a subsidiary of Bank of America (collectively, “Bank of America/Countrywide”), and other mortgage sellers/servicers cure, replace or repurchase ineligible mortgage loans from these securitizations and has recorded a total of \$3.2 billion of related expected recoveries on its consolidated balance sheets as of September 30, 2012, including expected recoveries recorded in the Company’s consolidated VIEs. In addition, the \$11.6 billion included \$5.0 billion of gross settlement and claim payments (before reinsurance and collections and excluding LAE) on insured credit derivatives comprising CMBS pools, CRE CDOs, CRE loan pools, corporate CDOs, multi-sector CDOs, and multi-sector CDO-squared transactions, among other types of transactions. While MBIA Corp. has commuted most of its higher risk CMBS pool exposures, a single counterparty—Bank of America and its subsidiary Merrill Lynch (collectively, “Bank of America/Merrill Lynch” and, together with Bank of America/Countrywide, “BOA”)—holds a significant amount of MBIA Corp.’s remaining CMBS pool exposures, including a substantial majority of MBIA Corp.’s CMBS pools originally insured in 2006 and 2007 primarily referencing BBB and lower rated collateral (the “BOA CMBS Exposure”). MBIA Corp. has also recorded its largest put-back asset related to ineligible mortgage loans included in insured second-lien RMBS transactions against BOA.

The failure by the mortgage originators, primarily BOA, to honor their contractual obligation to repurchase ineligible mortgages combined with the substantial RMBS claims payments and other claims and commutation payments to date have placed substantial stress on MBIA Corp.’s liquidity resources. In addition, due to the deterioration in MBIA Corp.’s CMBS exposures, primarily in the BOA CMBS Exposure, there is an increased possibility that MBIA Corp. will have claims presented on the BOA CMBS Exposure, which claims are likely to occur in the near term and could ultimately be substantial. Depending on the amount of actual claims on the BOA CMBS Exposure and the amount of claims on other policies issued by MBIA Corp., MBIA Corp. may not have sufficient liquid assets to pay such claims in the absence of a settlement of the BOA put-back recoverables and the commutation of the BOA CMBS Exposure. As described further below, in light of these circumstances and especially in the event of claims under the BOA CMBS Exposure the Superintendent may commence a rehabilitation or liquidation proceeding against MBIA Corp. MBIA Corp. has recorded loss reserves for the BOA CMBS Exposures that reflect our current estimate of ultimate losses and that are based on various assumptions about

potential payments by MBIA Corp. with respect to the BOA CMBS Exposures, including, among other things, that the BOA CMBS Exposure will likely be commuted. There have been no material claims made to date, however, on the policies insuring such exposures. If economic conditions deteriorate or we are unable to commute the BOA CMBS Exposures, MBIA Corp. could incur substantial additional losses in its portfolio in excess of these estimates. In addition, because the reserves are based on management's judgment and estimates, there can be no assurance that the ultimate liability will not exceed such estimates, that the BOA CMBS Exposure will be commuted, or that the timing of claims payments and the realization of recoveries will not create liquidity issues.

The amount MBIA Corp. may ultimately collect from BOA on its put-back obligations in any litigation settlement could be impacted by potential commutation payments or offset on the BOA CMBS Exposure and developments in the Transformation Litigation given that Bank of America/Merrill Lynch is also one of the two remaining plaintiffs in the Transformation Litigation. Likewise, MBIA Corp.'s ability to commute the BOA CMBS Exposure may be impacted by developments in the put-back litigation with BOA and the Transformation Litigation. There can be no assurance that any such settlement or commutation will occur or that any such settlement or commutation, if it occurs, would be consummated within the estimates of expected recoveries or loss payments associated with these exposures that are recorded in the Company's consolidated financial statements. In addition, there can be no assurance that MBIA Corp. will have adequate resources to meet its obligations even if it enters into any such settlement or commutation, or wins a judgment in its favor in its actions against BOA.

As of September 30, 2012, MBIA Corp.'s statutory capital was \$1.5 billion under U.S. STAT. In addition, as of September 30, 2012, MBIA Corp. held cash and available-for-sale investments of \$1.4 billion, of which \$386 million comprised cash and highly liquid assets. As of December 31, 2011, MBIA Corp. held cash and available-for-sale investments of \$1.5 billion, of which \$534 million comprised cash and highly liquid assets. However, due to liquidity constraints caused by the factors described above or if future claims exceed expectations due to an unexpected deterioration in economic conditions or due to other unanticipated factors, MBIA Corp. may not be able to pay claims on a timely basis in the future, in particular if BOA and other sellers/servicers continue their strategy of refusing to honor put-back claims or disputing and delaying their put-back obligations and MBIA Corp. receives claims on the BOA CMBS Exposure before recovery of the BOA or other significant put-back recoverables, if any. Furthermore, MBIA Corp. may have insufficient resources to meet its obligations if it fails to collect expected put-back recoveries, is unable to commute its most volatile exposures or experiences higher than expected claims payments on its insured obligations. In these potential circumstances, among others, the Superintendent may commence a proceeding against MBIA Corp. under Article 74 as described above. Given the Superintendent's authority to find that MBIA Corp.'s continued transaction of business will be hazardous to policyholders, creditors or the public, and the lack of any clear standards on what would constitute such a hazard, the Superintendent generally has broad discretion to put MBIA Corp. into a rehabilitation or liquidation proceeding.

As further described elsewhere in this Statement, if there is a Subsidiary Insolvency Default and a subsequent acceleration of the debt under the Indentures, we do not expect that the Company would have sufficient available liquidity to pay the principal amount of the Notes. If the Company is unable to repay its obligations under the Notes upon an acceleration, the Trustee or Holders of the Notes would likely exercise their rights as creditors to force repayment and the Company would have an immediate need to pursue other alternatives, the most likely of which, if the Company is not successful in pursuing out-of-court alternatives, is the filing of a Company Bankruptcy. The Company believes that a Company Bankruptcy would have a significant adverse effect on the value available for repayment of the Notes and other Company obligations.

In addition to the Superintendent's authority to commence rehabilitation or liquidation proceedings, the Superintendent could, should he find that the liabilities of MBIA Corp. exceed its admitted assets, use his authority under Section 1310 of the NYIL to order MBIA Corp. to cease making claims payments (a "1310 Order"). The issuance of a 1310 Order could result in material adverse consequences for MBIA Corp., including that holders of some or all of the credit default swaps insured by MBIA Corp. may potentially seek to terminate one or more of such swaps on the basis of such order (or the findings by the Superintendent underlying such order's issuance) and assert claims for mark-to-market termination payments with respect to such terminations (which claims MBIA Corp. may not be able to pay).

For a complete discussion of the risks facing MBIA Corp., see "Note 1: Business Developments, Risks and Uncertainties, and Liquidity" in the Notes to Consolidated Financial Statements of MBIA Inc. and Subsidiaries in

Part I, Item 1 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 and Item 1a of our Annual Report on Form 10-K for the year ended December 31, 2011.

Other Impacts of the Proposed Amendments

The Indentures restrict the Company's ability to take certain actions with respect to Principal/Restricted Subsidiaries. Section 3.6 of the 1990 Indenture and Section 1006 of the 2004 Indenture limit both the Company's and its subsidiaries' ability to create, issue, assume, incur, guarantee or permit to exist liens on any voting securities or capital stock of a Principal/Restricted Subsidiary, or the voting securities or capital stock of a subsidiary that owns, directly or indirectly, the voting securities or capital stock of a Principal/Restricted Subsidiary. Section 3.7 of the 1990 Indenture also limits the Company's and its subsidiaries' ability to sell, transfer or otherwise dispose of any shares of capital stock of any Restricted Subsidiary, except under certain circumstances, including where the sale is of the entire capital stock of a Restricted Subsidiary for at least fair value as determined by the Company's Board of Directors acting in good faith.

If the Proposed Amendments are approved, the limitations described above may restrict the Company's ability to incur liens and/or sell the capital stock of National, and such limitations will no longer apply to the capital stock of MBIA Corp.

If the Proposed Amendments are adopted and National is placed into a rehabilitation or liquidation proceeding, a Subsidiary Insolvency Default will occur and the Notes may be accelerated. Although MBIA Corp. may also be a source of dividends in the future, the Company believes National will be its principal dividend source going forward and its primary source of payment on the Notes. Therefore, if the Proposed Amendments are adopted, Holders of Notes will have the benefit of the protections associated with the provisions related to Subsidiary Insolvency Defaults and lien limitations related to Principal/Restricted Subsidiaries, in that those protections will apply with respect to National instead of MBIA Corp.

Risks Resulting from the Proposed Amendments

If the Proposed Amendments become operative, Holders of the Notes would no longer be able to accelerate the Notes in the event of a Subsidiary Insolvency Default of MBIA Corp. Currently, Notes under the 2004 Indenture would automatically accelerate without any action by Holders upon an Insolvency Event of MBIA Corp., and the Notes issued under the 1990 Indenture would be able to be declared immediately due and payable by the Trustee or the Holders of not less than 25% in aggregate principal amount of the Notes outstanding thereunder (treated as a class). Automatic acceleration of the Notes under the 2004 Indenture would also trigger a cross-default of the Notes under the 1990 Indenture and ultimately the right for Holders of the Notes under the 1990 Indenture to accelerate their Notes. If the Proposed Amendments become operative, such acceleration would no longer occur automatically with respect to the Notes under the 2004 Indentures upon such an Insolvency Event. Furthermore, Holders of Notes and the Trustee would not have the right to take action against the Company to collect the principal amount of the obligations under the Notes as a result of an Insolvency Event of MBIA Corp.

Notwithstanding the foregoing, the Company believes that an acceleration of the Notes due to a Subsidiary Insolvency Default would not benefit the Holders of the Notes since, if the Company is unable to raise capital, we do not expect that the Company would have sufficient available liquidity to pay the principal amount of the Notes. If the Notes were accelerated, then the Company would have an immediate need to pursue other alternatives, including pursuing an out-of-court restructuring of the Notes, which will be difficult to achieve, or more likely, the filing of a Company Bankruptcy. Thus, as described above in "Risks of an MBIA Corp. Rehabilitation or Liquidation Proceeding that would Trigger a Subsidiary Insolvency Default," the Proposed Amendments will reduce the likelihood of a Company Bankruptcy as a result of a Subsidiary Insolvency Default if MBIA Corp. is subject to rehabilitation or liquidation proceedings.

We believe the Proposed Amendments will be beneficial for Holders of Notes as they will avoid the potential for substantial loss of value available to repay holders of Notes in such a situation. You may have a different view about the impact of a Company Bankruptcy with respect to the Notes or your holdings of the Notes.

Potential Adverse U.S. Federal Income Tax Consequences to the Company of the Proposed Amendments

As discussed below under “U.S. Federal Income Tax Considerations – U.S. Holders – Modification of the Notes,” we intend to treat the adoption of the Proposed Amendments as not constituting a significant modification of the Notes and, therefore, as not resulting in a deemed exchange of the Notes for U.S. federal income tax purposes. This treatment, however, is not free from doubt. If the adoption of the Proposed Amendments were to result in a deemed exchange of the Notes, we would be subject to adverse U.S. federal income tax consequences, including (i) recognition of a material amount of cancellation of indebtedness income (which may be offset by our net operating losses) and (ii) the potential loss of deductions for original issue discount deemed to accrue on the Notes, as modified.

Risks Remaining Following Approval of the Proposed Amendments

While the Company believes that the Proposed Amendments will be beneficial for Holders, in particular because the risk of a Company Bankruptcy will be reduced, certain risks associated with holding the Notes will remain. Among other risks, there can be no assurance against any adverse impact if MBIA Corp. were to be placed in a rehabilitation or liquidation proceeding after the adoption of the Proposed Amendments. As described herein, the Company believes that entering into the Proposed Amendments will reduce the risks associated with such an event because no Subsidiary Insolvency Default will occur, the Notes would not be accelerated, and the risk of a follow-on adverse impact including a potential Company Bankruptcy will be ameliorated. However, among other things, there can be no assurance that a rehabilitation or liquidation proceeding for MBIA Corp. would not reduce the value of intercompany obligations owed from MBIA Corp. to National, on account of the National Secured Loan that makes up a significant part of National’s assets, or owed from MBIA Corp. to the Company and its other subsidiaries; would not have adverse tax impacts; or would not have adverse operational impacts on certain subsidiaries of the Company. Further, there can be no assurance that the liquidity, market value and price volatility of the Notes would not be adversely affected by any rehabilitation or liquidation of MBIA Corp. subsequent to the adoption of the Proposed Amendments. Finally, if the Proposed Amendments are adopted, the Notes will remain subject to risks related to the business, industry and financial conditions in which the Company operates, among other risks, that are described in the securities filings identified in this Statement in “Available Information—Documents Incorporated by Reference” and incorporated herein by reference.

Risks to Holders Who Do Not Deliver Consents if the Proposed Amendments are Approved

If the Requisite Consents to the Proposed Amendments are received at or prior to the Expiration Time and a Holder does not deliver its Consent to the Proposed Amendments at or prior to the Expiration Time or votes against the Proposed Amendments, such Holder will not receive any Consent Fee. In addition, if the Requisite Consents to the Proposed Amendments are provided prior to the Expiration Time and the other conditions described in this Statement are satisfied, the Company and the Trustee will execute the Supplemental Indentures, which will result in the Proposed Amendments contained therein becoming operative. Once the Supplemental Indentures become operative, the rights of all Holders will be impacted by the Proposed Amendments, whether or not such Holder provided its Consent, including if such Holder voted at all.

Risks to Consummation of the Consent Solicitation and Payment of the Consent Fees

The consummation of the Consent Solicitation and the payment of any Consent Fee are subject to the satisfaction or waiver by the Company of certain conditions, including the receipt by the Company of the Requisite Consent under both the 1990 Indenture and the 2004 Indenture. *See* “The Solicitation—Conditions to the Consent Solicitation.” There can be no assurance that such conditions will be met or waived. If those conditions are not met or waived and the Consent Solicitation is not consummated, Holders will not receive the Consent Fee.

Implications of the Transformation Litigation

The Transformation Litigation, which is also described above in “—Risks of an MBIA Corp. Rehabilitation or Liquidation Proceeding that would Trigger a Subsidiary Insolvency Default,” is comprised of two

separate proceedings in New York state court initiated by a group of 18 banks, of which two remain, including a proceeding under Article 78 of the New York CPLR (the "*Article 78*"), which names the NYSDFS, the Company, MBIA Corp. and National as respondents, a plenary action (the "*Plenary Action*") under the New York Debtor Creditor Law (the "*DCL*"), which names the Company, MBIA Corp. and National as defendants, and a third proceeding initiated in U.S. federal court by an investment fund under the DCL which names the Company, MBIA Corp. and National as defendants (the "*Federal Action*"). The allegations and relief sought in the Federal Action are similar to those in the Plenary Action.

In the Article 78, the bank petitioners are seeking, among other things, a declaration that the approval by the NYSDFS of a series of transactions involving the establishment of National are null and void and should be reversed. In the Plenary Action and the Federal Action, the plaintiffs are alleging that the transactions that comprised the Transformation were fraudulent conveyances under the DCL and that therefore they should be set aside or that, in the alternative, they are entitled to damages and the Company and National should be jointly and severally liable for MBIA Corp.'s insurance policies. While the Company believes that it will ultimately prevail in each of the cases that comprise the Transformation Litigation, the Company believes for the reasons set forth below that the impact of the Proposed Amendments would not be materially different if the outcome of the Transformation Litigation were favorable or unfavorable to the respondents. If the Company were to prevail in the Transformation Litigation and the Proposed Amendments were adopted, National would be expected to retain its current assets and business and holders of Notes would have the protections associated with National being included as a Principal/Restricted Subsidiary, while avoiding the negative effects resulting from a Subsidiary Insolvency Default in the event of an MBIA Corp. rehabilitation or liquidation. Further, consenting Holders will have received an additional benefit in the form of the Consent Fee.

If there were an Unfavorable Ruling that sets aside the Transformation, it is likely that MBIA Corp., as a result of its receipt of substantially all of the assets or business of National, would again become a Principal/Restricted Subsidiary as defined in the Supplemental Indentures. Under such an outcome, holders of Notes would have similar rights if the Proposed Amendments become operative to the rights they have under the current Indentures with respect to MBIA Corp., and consenting Holders will have received an additional benefit in the form of the Consent Fee.

THE SOLICITATION

General

In order to approve the Proposed Amendments, the Company must receive the "Requisite Consents," which means valid and unrevoked Consents of (i) Holders of at least a majority in principal amount of all outstanding Notes under the 1990 Indenture voting as a single class, and (ii) Holders of at least a majority in principal amount of the outstanding Notes under the 2004 Indenture. As of the Record Date, there were \$897,317,000 in aggregate principal amount of Notes issued and outstanding. As of the Record Date, the Company did not hold any Notes.

On November 5, 2012, the Company entered into lock-up agreements with Holders of approximately 25.4% of the principal amount of the Notes outstanding under the 1990 Indenture and Holders of approximately 3.5% of the principal amount of the Notes outstanding under the 2004 Indenture pursuant to which such Holders agreed to (i) deliver or cause to be delivered, as soon as practicable, valid Consents to the Proposed Amendments and (ii) not to revoke such consents prior to 30 days after the date of this Statement, except if the terms or conditions of the Consent Solicitation are materially modified.

If the Proposed Amendments become operative, they will be binding on all Holders and their successors and transferees, whether or not such Holders consented to the Proposed Amendments.

The delivery of a Consent to the Proposed Amendments will not affect a Holder's right to sell or transfer the Notes, and a sale or transfer of the Notes after the Record Date will not have the effect of revoking any Consent theretofore validly given by the Holder of such Notes. Therefore, each properly executed and delivered Consent will be counted notwithstanding any subsequent sale or transfer of the Notes to which such Consent relates, unless the applicable Holder has complied with the procedure for revoking Consents, as described herein and in the Consent Documents. Failure to deliver a Consent will have the same effect as if a Holder had voted "No" to the Proposed Amendments.

Consent Fee

In the event that (i) the Consent Solicitation is not terminated and (ii) the Requisite Consents relating to the Notes are validly delivered (and not revoked) at or prior to the Expiration Time and (iii) certain other conditions are met or waived as described below under "—Conditions to the Consent Solicitation", the Company will pay, promptly following the consummation of the Consent Solicitation, to each Holder who delivered a valid Consent (not subsequently revoked) to the Tabulation Agent at or prior to the Expiration Time, a one-time cash payment of \$10 per \$1,000 in principal amount of Notes held by such Record Holder (and to which such Consent relates). The Company may, in its sole discretion, amend or modify the Consent Fee with respect to one or more series of Notes.

The right to receive the Consent Fee is not transferable with a Note. The Company will only make payments of the Consent Fee to the persons who were Holders and who have delivered valid and unrevoked Consents at or prior to the Expiration Time pursuant to the terms hereof.

Consents will expire if the Requisite Consents to the Proposed Amendments have not been obtained at or before the Expiration Time (which term includes any extension of the original Expiration Time). Interest will not accrue on or be payable with respect to any Consent Fee.

Record Date

The Consent Documents are being sent to all Holders on the Record Date (defined to be 5:00 P.M., New York City time, on November 6, 2012). Such date has been fixed by the Company as the date for the determination of Holders entitled to deliver Consents and receive the Consent Fee, if payable, pursuant to the Consent Solicitation. The Company reserves the right to establish, from time to time but in all cases prior to receipt of the Requisite Consents, any new date as such Record Date and, thereupon, any such new date will be deemed to be the Record Date for purposes of the Consent Solicitation.

How to Consent

Each Holder who delivers a Consent to the Proposed Amendments in accordance with the procedures set forth in the Consent Documents will be deemed to have validly consented to the Proposed Amendments.

To effectively consent to the Proposed Amendments and be eligible to receive the Consent Fee, a properly completed Consent Form or facsimile thereof (with an original to be delivered within one business day of such facsimile transmission by overnight courier), duly executed by the Holder, must be received by the Tabulation Agent at its address set forth on the back cover of this Statement prior to the Expiration Time. **Consent Forms should be sent only to the Tabulation Agent and should *not* be sent to the Company, the Solicitation Agent, the Information Agent or the Trustee.**

If the Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and the beneficial owner of the Notes wishes to consent to the Proposed Amendments, the beneficial owner must promptly contact and instruct such registered Holder to deliver a Consent to the Tabulation Agent on the beneficial owner's behalf. **The Tabulation Agent will *not* accept Consents delivered by beneficial owners directly to the Tabulation Agent.** Any beneficial owner of the Notes registered in the name of a DTC participant may direct the DTC participant through which such beneficial owner's Notes are held to execute a Consent Form on such beneficial owner's behalf and deliver the executed Consent to the Tabulation Agent.

The Company anticipates that DTC or its nominee will execute an omnibus proxy in favor of DTC participants holding the Notes, which will authorize each such DTC participant to consent to the Proposed Amendments with respect to the principal amount of Notes shown as owned by such DTC participant on the books of DTC on the Record Date. For purposes of the Consent Solicitation, the term "Holder" shall be deemed to include DTC participants, and DTC has authorized participants to execute Consent Forms as if they were Holders of record. **The Tabulation Agent will accept and record only a properly executed Consent Form from those parties listed as a Holder in the omnibus proxy received by the Tabulation Agent from DTC.** If DTC or its nominee has authorized a proxy to execute a Consent Form, then the Consent Form must be executed by the DTC Participant. A Consent Form in respect of any Notes not held by DTC or a DTC Participant must be executed in the name of the Holder.

Consent Forms by the Holder(s) of the Notes should be executed in exactly the same manner as the name(s) of such registered Holder(s) appear(s) on the Notes or in the case of a DTC Participant, as its name appears in the omnibus proxy. If the Notes to which a Consent relates are held by two or more joint Holders, all such Holders should sign the Consent Form. If a Consent Form is signed by a trustee, partner, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person must so indicate when signing and must also submit with the Consent Form appropriate evidence of authority to execute the Consent Form. If a Consent Form is executed by a person other than the registered Holder, then it must be accompanied by a proxy duly executed by such Holder and such signature must be accompanied by a medallion signature guarantee.

If a Consent relates to fewer than all the Notes held of record as of the Record Date by the Holder providing such Consent, such Holder must indicate on the relevant Consent Form the aggregate dollar amount (in minimum denominations of \$1,000 and integral multiples of \$1,000 in excess thereof) of such Notes to which the Consent relates. Otherwise, the Consent will be deemed to relate to all such Notes.

The method of delivery of the Consent Form and any other required documents to the Tabulation Agent is at the election and risk of the Holder and, except as otherwise provided in the Consent Documents, delivery will be deemed made only when the Consent Form or any other required document is actually received by the Tabulation Agent at or prior to the Expiration Time. If the delivery is by mail, it is suggested that the Holder use registered mail with return receipt requested, and that the mailing be made sufficiently in advance of the Expiration Time to permit delivery to the Tabulation Agent at or prior to such time.

IN NO EVENT SHOULD A HOLDER DELIVER THE NOTES TOGETHER WITH THE CONSENT. Delivering a Consent will not affect the Holder's right to sell or transfer the Notes. Consent

Forms should be sent only to the Tabulation Agent and should *not* be sent to the Company, the Solicitation Agent, the Information Agent or the Trustee. However, the Company reserves the right (but is not obligated) to accept any Consent received by the Company, the Solicitation Agent, Information Agent or a Trustee. The Company reserves the right (but is not obligated) to accept any Consent received by any other reasonable means or in any form that reasonably evidences the giving of consent.

Determination of Validity

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any delivered Consent pursuant to any of the procedures described above shall be determined by the Company, in its sole discretion (which determination shall be final and binding). The Company reserves the absolute right to reject any or all deliveries of any Consent determined by it not to be in proper form or the acceptance of which would, in the Company's opinion, be unlawful. The Company also reserves the absolute right, in its sole discretion, to waive any defect or irregularity as to any delivery of any Consent of any particular Holder, whether or not similar defects or irregularities are waived in the case of other Holders. The Company's interpretation of the terms and conditions of the Consent Solicitation, including the instructions to the Consent, shall be final and binding. Any defect or irregularity in connection with deliveries of Consents must be cured within such time as the Company determines, unless waived by the Company. Deliveries of Consents shall not be deemed to have been made until all defects and irregularities have been waived by the Company or cured. None of the Company, the Trustee, or any other person shall be under any duty to give notification to any Holder of any defects or irregularities in deliveries of Consents or shall incur any liability for failure to give any such notification.

Conditions to the Consent Solicitation

Our obligation to accept valid and unrevoked Consents in respect of the Notes and to pay the Consent Fee in respect of such Consents is conditioned upon satisfaction, or waiver by the Company, of the following conditions: (1) receipt by the Tabulation Agent at or prior to the Expiration Time of valid and unrevoked Requisite Consents from Holders of a majority in principal amount of the outstanding Notes under each of the 1990 Indenture (voting as a single class) and the 2004 Indenture; (2) execution by the Company and the Trustee of the Supplemental Indentures embodying the Proposed Amendments upon compliance with all other conditions precedent to such execution provided for in the Indentures, and (3) the absence of any law or regulation which would, and the absence of any injunction or action or other proceeding (pending or threatened) which (in the case of any action or proceeding if adversely determined) would, make unlawful or invalid or enjoin the implementation of the Proposed Amendments or the payment of the Consent Fee or that would question the legality or validity thereof (the "*Consent Payment Conditions*").

If the Consent Payment Conditions specified above are not satisfied or waived at or prior to the Expiration Time, or such later date as the Company may specify, the Company may, in its sole discretion and without giving any notice, allow the Consent Solicitation to lapse, or extend the solicitation period and continue soliciting Consents in the Consent Solicitation. Subject to applicable law, the Consent Solicitation may be abandoned or terminated for any reason or at any time, in which case the Consents received will be voided and no Consent Fee will be paid to any Holders. The conditions specified in the Consent Payment Conditions are for the benefit of the Company and may be waived or extended in our sole discretion.

Expiration Time; Extensions; Amendment

The Expiration Time shall occur at 5:00 P.M. New York City time, on November 21, 2012, unless extended. The Company may, in its sole discretion, extend the Expiration Time for one or more series of Notes. In order to extend the Expiration Time, the Company will notify the Information Agent and the Tabulation Agent of any extension by telephonic or written notice and will make a public announcement thereof, each at or before 9:00 A.M., New York City time, on November 26, 2012, or if the Expiration Time has been extended prior to such date, then at or before 9:00 A.M., New York City time, on the next business day after the previously scheduled Expiration Time. Such announcements may state that the Company is extending the Consent Solicitation for a specified period of time or on a daily basis. Failure of any Holder or beneficial owner of Notes to be so notified will not affect the extension of the Consent Solicitation.

Notwithstanding anything to the contrary set forth in this Statement, the Company reserves the right, in its sole discretion to (i) terminate the Consent Solicitation for any reason, (ii) extend the Expiration Time with respect to one or more series of Notes, (iii) amend the terms of the Consent Solicitation, including to waive any of the conditions to the Consent Solicitation, or (iv) modify the form or amount of the consideration to be paid with respect to one or more series of Notes, including the Consent Fee and the Soliciting Dealer Fee, pursuant to the Consent Solicitation.

If the Consent Solicitation, or any of the Consent Documents, is amended prior to the Effective Date in a manner determined by the Company, in its sole discretion, to constitute a material change to the terms of the Consent Solicitation, the Company shall promptly disseminate additional Consent Solicitation materials and, if necessary, extend the Expiration Time for a period deemed by the Company to be adequate to permit Holders to consider such amendments and revoke their Consents. An extension by the Company of the Expiration Time or the right to revoke Consents with respect to Holders of one or more series of Notes shall not constitute a material change with respect to Holders of Notes for whom the Expiration Time and/or right to revoke Consents has not been extended.

Without limiting the manner in which the Company may choose to make a public announcement of any extension, amendment or termination of the Consent Solicitation, the Company shall have no obligation to publish, advertise, or otherwise communicate any such public announcement, other than by making a timely press release and complying with any applicable notice provisions of the Indentures.

Revocation of Consents

A Consent may be revoked by a Holder of the Notes if the Tabulation Agent receives the written notice of revocation of Consent (or facsimile thereof) at or prior to the earlier of the Expiration Time and the Effective Date. The notice of revocation of Consent must be signed by the Holder in the same manner as the Consent Form to which the notice of revocation of Consent relates. Notices of revocation of Consent must be sent to the Tabulation Agent at the address set forth on the back cover of this Statement in accordance with the procedures set forth in the Consent Documents.

If the Company extends the Expiration Time with respect to one or more series of Notes, the Company may, in its sole discretion, also extend the right of the Holders of one or more of such series of Notes to revoke their Consents. If the Company extends the Expiration Time with respect to Holders of one or more series of Notes, the Company may, in its sole discretion, provide that Holders of Notes for whom the Expiration Time has not been extended may not revoke Consents after such initial Expiration Time or that Holders for whom the Expiration Time has been extended and who delivered their Consents prior to the initial Expiration Time may not revoke Consents.

The Company reserves the right to contest the validity of any notice of revocation of Consent and all questions as to validity, including the time of receipt of any notice of revocation of Consent, will be determined by the Company in its sole discretion, which determination shall be final and binding on all parties. None of the Company, the Trustee, or any other person shall be under any duty to give notification to any Holder of any defects or irregularities with respect to any notice of revocation of Consent or shall incur any liability for failure to give any such notification.

A revocation of a Consent may be rescinded only by the execution and delivery of a new Consent prior to the Expiration Time. A Holder who delivered a notice of revocation of Consent may thereafter deliver a new Consent by following the procedures described in the Consent Documents at any time at or prior to the Expiration Time. *See* “—How to Consent.”

Soliciting Dealer Fee

With respect to any Consent accepted by the Company, the Company will pay the relevant soliciting dealer a fee of \$5 per \$1,000 principal amount of Notes, provided that such fee will only be paid with respect to Consents by Holders whose aggregate principal amount of Notes is \$500,000 or less. In order to be eligible to

receive the Soliciting Dealer Fee, a properly completed Soliciting Dealer Form must be delivered by the relevant soliciting dealer to the Tabulation Agent at or prior to the Expiration Time. The Company will, in its sole discretion, determine whether a broker has satisfied the criteria for being eligible to receive a Soliciting Dealer Fee (including, without limitation, the submission of the appropriate documentation without defects or irregularities and in respect of bona fide deliveries of Consents).

A soliciting dealer is a retail broker designated in the soliciting dealer form and is:

- a broker or dealer in securities which is a member of any national securities exchange in the United States or of the Financial Industry Regulatory Authority; or
- a bank or trust company located in the United States.

Soliciting dealers will include any of the organizations described above even when the activities of such organization in connection with the Consent Solicitation consist solely of forwarding to clients materials relating to the Consent Solicitation and delivering Consents as directed by beneficial owners thereof. Each soliciting dealer will confirm that each Holder that it solicits has received a copy of the Consent Documents, or concurrently with such solicitation provide the Holder with a copy of the Consent Documents. No soliciting dealer is required to make any recommendation to Holders as to whether to deliver Consent or refrain from delivering Consent in the Consent Solicitation. No assumption is made, in making payment to any soliciting dealer, that its activities in connection with the Consent Solicitation included any activities other than those described in this paragraph. For all purposes noted in materials relating to the Consent Solicitation, the term “solicit” shall be deemed to mean no more than “processing Consents” or “forwarding to customers material regarding the Consent Solicitation.”

Soliciting dealers are not eligible to receive a Soliciting Dealer Fee with respect to Notes beneficially owned by such soliciting dealer or with respect to any Notes that are registered in the name of a soliciting dealer unless such Notes are held by such soliciting dealer as nominee and the related Consent is delivered on behalf of the beneficial owner of such Notes.

Soliciting dealers should take care to ensure that proper records are kept to document their eligibility to receive any Soliciting Dealer Fee. The Company and the Tabulation Agent reserve the right to require additional information at our discretion, as deemed warranted.

Other than the foregoing, no fees or commissions have been or will be paid by us to any broker, dealer or other person, other than the Solicitation Agent, the Information Agent and the Tabulation Agent with respect to the Consent Solicitation.

U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a discussion of certain U.S. federal income tax considerations relating to the adoption of the Proposed Amendments and receipt of the Consent Fee that may be relevant to U.S. Holders and Non-U.S. Holders (each as defined below) that hold their Notes as capital assets. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "*Code*"), U.S. Treasury regulations promulgated or proposed thereunder and administrative and judicial interpretations thereof, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect, or to different interpretation. This discussion does not address all of the U.S. federal income tax considerations that may be relevant to specific Holders (as defined below for purposes of this Section only) in light of their particular circumstances or to Holders subject to special treatment under U.S. federal income tax law (such as banks, insurance companies, dealers in securities or other Holders that generally mark their securities to market for U.S. federal income tax purposes, tax-exempt entities, retirement plans, regulated investment companies, real estate investment trusts, certain former citizens or residents of the United States, Holders that hold a Note as part of a straddle, hedge, conversion or other integrated transaction or U.S. Holders that have a "functional currency" other than the U.S. dollar). This discussion does not address any U.S. state or local or non-U.S. tax considerations or any U.S. federal estate, gift or alternative minimum tax considerations.

As used in this discussion, the term "*U.S. Holder*" means a beneficial owner of a Note that, for U.S. federal income tax purposes, is (i) an individual who is a citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust (x) with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of its substantial decisions or (y) that has in effect a valid election under applicable U.S. Treasury regulations to be treated as a United States person.

The term "*Non-U.S. Holder*" means a beneficial owner of a Note that is neither a U.S. Holder nor a partnership for U.S. federal income tax purposes. The term "*Holder*" means a U.S. Holder or a Non-U.S. Holder.

If an entity treated as a partnership for U.S. federal income tax purposes holds a Note, the U.S. federal income tax treatment of a partner in such entity will depend in part upon the status and activities of such entity and the particular partner. Any such entity should consult its own tax advisor regarding the U.S. federal income tax considerations applicable to it and its partners relating to the adoption of the Proposed Amendments and receipt of the Consent Fee.

No ruling from the Internal Revenue Service (the "*IRS*") has been or will be sought with respect to any of the U.S. federal income tax considerations discussed below, and no assurance can be given that the IRS will not take a position contrary to the discussion below or that any such contrary position would not be sustained by a court.

EACH HOLDER SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE AND LOCAL AND NON-U.S. INCOME, ESTATE AND OTHER TAX CONSIDERATIONS RELATING TO THE ADOPTION OF THE PROPOSED AMENDMENTS AND RECEIPT OF THE CONSENT FEE IN LIGHT OF ITS PARTICULAR CIRCUMSTANCES.

EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER U.S. FEDERAL TAX LAW; (B) ANY SUCH DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

U.S. Holders

Modification of the Notes

The U.S. federal income tax consequences of the adoption of the Proposed Amendments and receipt of the Consent Fee to a U.S. Holder of a Note will depend in part upon whether the adoption of the Proposed Amendments or receipt of the Consent Fee results in a deemed exchange of such Note for U.S. federal income tax purposes. A modification of a debt instrument generally results in a deemed exchange of the original debt instrument for a modified instrument if such modification is “significant” within the meaning of U.S. Treasury regulations promulgated under section 1001 of the Code (the “*Section 1001 Regulations*”). Under the Section 1001 Regulations, as a general rule, a modification of a debt instrument is a significant modification only if, based on all facts and circumstances (and, subject to certain exceptions, taking into account all modifications of such debt instrument collectively), the legal rights or obligations that are altered and the degree to which they are altered are “economically significant.” The Section 1001 Regulations specifically provide that a change in the yield of a debt instrument is a significant modification if the yield of the modified instrument (determined by taking into account any payments made to the holder as consideration for the modification) varies from the yield of the unmodified instrument (determined as of the date of the modification) by more than the greater of (i) 0.25% (*i.e.*, 25 basis points) and (ii) 5% of the annual yield of the unmodified instrument. The Section 1001 Regulations also specifically provide that a modification of a debt instrument that adds, deletes or alters customary accounting or financial covenants is not a significant modification. The Section 1001 Regulations do not define “customary accounting or financial covenants.” A modification of a debt instrument that is not a significant modification does not result in a deemed exchange of such instrument for U.S. federal income tax purposes.

The change in the yield of a Note resulting from receipt of the related Consent Fee by a U.S. Holder is not expected to constitute a significant modification of such Note under the Section 1001 Regulations and, therefore, is not expected to result in a deemed exchange of such Note for U.S. federal income tax purposes.

To the extent the Proposed Amendments are treated as the addition, deletion or alteration of customary accounting or financial covenants, their adoption would not constitute a significant modification of the Notes. To the extent the Proposed Amendments are not so treated, their adoption would not constitute a significant modification of the Notes so long as the legal rights or obligations that are altered by the Proposed Amendments, or the degree to which they are altered, are not “economically significant” when considered collectively. Although the matter is not free from doubt, the Company intends to treat the adoption of the Proposed Amendments as not constituting a significant modification of the Notes under the Section 1001 Regulations and, therefore, as not resulting in a deemed exchange of the Notes for U.S. federal income tax purposes. If the IRS were to successfully challenge such treatment, a U.S. Holder of a Note could be treated as exchanging such Note for a new Note deemed to be issued with a significant amount of original issue discount (“*OID*”), which *OID* generally would be includable in income by such U.S. Holder over the remaining term of the Note. The discussion below assumes that the adoption of the Proposed Amendments will not be treated as a significant modification of the Notes.

Each U.S. Holder should consult its own tax advisor regarding the U.S. federal income and other tax consequences of the adoption of the Proposed Amendments and receipt of the Consent Fee.

Consent Fee

The U.S. federal income tax treatment of the Consent Fee is unclear. Receipt of the Consent Fee by a U.S. Holder with respect to a Note may be treated as (i) a separate payment for consenting to the Proposed Amendments, which would generally be taxable as ordinary income in accordance with such U.S. Holder’s regular method of accounting for U.S. federal income tax purposes, or (ii) a payment on such Note, which may be treated first as a payment of any accrued and unpaid interest on such Note and then as a payment of principal on such Note. Any portion of the Consent Fee treated as a payment of principal on a Note would generally reduce a U.S. Holder’s adjusted tax basis in such Note and, if such U.S. Holder acquired such Note with market discount that such U.S. Holder has not previously elected to include in income as it accrues, may result in ordinary income under the market discount rules. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal income tax treatment of the Consent Fee.

Information Reporting and Backup Withholding

Information reporting generally will apply with respect to payment of the Consent Fee to a U.S. Holder, unless such U.S. Holder is an entity that is exempt from information reporting and, when required, demonstrates this fact. Payment of the Consent Fee to a U.S. Holder generally will also be subject to backup withholding unless such U.S. Holder provides the appropriate documentation (generally, IRS Form W-9) to the applicable withholding agent certifying that, among other things, its taxpayer identification number (which for an individual would be such individual's Social Security number) is correct, or otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability if the required information is furnished by the U.S. Holder on a timely basis to the IRS.

Non-U.S. Holders

Modification of the Notes

The U.S. federal income tax consequences of the adoption of the Proposed Amendments and receipt of the Consent Fee to a Non-U.S. Holder of a Note will depend in part upon whether the adoption of the Proposed Amendments or receipt of the Consent Fee results in a deemed exchange of such Note for U.S. federal income tax purposes.

As discussed above under the heading "U.S. Holders – Modification of the Notes", the change in yield of a Note resulting from receipt of the Consent Fee by a Non-U.S. Holder is not expected to constitute a significant modification of such Note under the Section 1001 Regulations and, therefore, is not expected to result in a deemed exchange of such Note for U.S. federal income tax purposes. In addition, as discussed above, although the matter is not free from doubt, the Company intends to treat the adoption of the Proposed Amendments as not constituting a significant modification of the Notes under the Section 1001 Regulations and, therefore, as not resulting in a deemed exchange of the Notes for U.S. federal income tax purposes. If the adoption of the Proposed Amendments does not result in a deemed exchange of the Notes, a Non-U.S. Holder of a Note would not recognize any gain or loss with respect to such Note as a result of the adoption of the Proposed Amendments. If the IRS were to successfully challenge such treatment, such Non-U.S. Holder could be treated as exchanging such Note for a new Note and may be subject to U.S. federal income or withholding tax. The discussion below assumes that the adoption of the Proposed Amendments will not be treated as a significant modification of the Notes.

Each Non-U.S. Holder should consult its own tax advisor regarding the U.S. federal income and other tax consequences of the adoption of the Proposed Amendments and receipt of the Consent Fee.

Consent Fee

As discussed above under the heading "U.S. Holders – Consent Fee", the U.S. federal income tax treatment of the Consent Fee is unclear. Receipt of the Consent Fee by a Non-U.S. Holder with respect to a Note may be treated as (i) a separate payment for consenting to the Proposed Amendments, as discussed below, or (ii) a payment on such Note, which may be treated first as a payment of any accrued and unpaid interest on such Note and then as a payment of principal on such Note.

In light of the uncertainty regarding the U.S. federal income tax treatment of the Consent Fee, the applicable withholding agent may treat receipt of the Consent Fee by a Non-U.S. Holder as a separate payment for consenting to the Proposed Amendments, in which case such withholding agent may withhold U.S. federal tax from the Consent Fee paid to such Non-U.S. Holder at a rate of 30% unless:

- the Non-U.S. Holder is engaged in the conduct of a trade or business within the United States with which the receipt of such payment is effectively connected and provides the appropriate documentation (generally, IRS Form W-8ECI) to the applicable withholding agent, in which case such payment would be

subject to net income tax (and a Non-U.S. Holder that is a corporation may also be subject to a branch profits tax); or

- an applicable income tax treaty between the United States and the country of residence of the Non-U.S. Holder eliminates or reduces the withholding tax on such payment and such Non-U.S. Holder provides the appropriate documentation (generally, IRS Form W-8BEN) to the applicable withholding agent.

Each Non-U.S. Holder should consult its own tax advisor regarding the application of U.S. federal income and withholding tax to the Consent Fee, including such Non-U.S. Holder's eligibility for a withholding exemption and the availability of a refund of any U.S. federal tax withheld.

Information Reporting and Backup Withholding

Any amount realized by a Non-U.S. Holder in connection with a deemed exchange attributable to accrued interest, and potentially all or part of the Consent Fee, and the amount of any tax withheld from such amounts generally must be reported to the IRS and to such Non-U.S. Holder.

The information reporting and backup withholding rules that apply to payment of the Consent Fee to a U.S. Holder generally will not apply to payment of the Consent Fee to a Non-U.S. Holder if such Non-U.S. Holder certifies under penalties of perjury that it is not a United States person (generally by providing an IRS Form W-8BEN) or otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability if the required information is furnished by such Non-U.S. Holder on a timely basis to the IRS.

TABULATION AGENT AND INFORMATION AGENT

i-Deal LLC has been appointed as Tabulation Agent for the Consent Solicitation to receive, tabulate and verify Consents. All Consent Forms and correspondence sent to the Tabulation Agent should be directed to the address set forth on the back cover of this Statement. The Company has agreed to indemnify the Tabulation Agent for certain liabilities. i-Deal LLC has agreed to facilitate the Consent Solicitation in its capacity as Tabulation Agent; however, it is not passing upon the merits or accuracy of the information contained in the Consent Solicitation in its capacity as Tabulation Agent.

i-Deal LLC will also act as Information Agent with respect to the Consent Solicitation. Requests for additional copies of and questions relating to the Consent Documents, the Indenture and the documents incorporated by reference into this Statement may be directed to the Information Agent at the address and telephone number set forth on the back cover of this Statement. Holders of the Notes may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Consent Solicitation.

In connection with the Consent Solicitation, directors, officers and regular employees of the Company (who will not be specifically compensated for such services) may solicit Consents by use of the mails, personally or by telephone, facsimile or other means.

The Company will pay the Tabulation Agent and the Information Agent reasonable and customary fees for their services and will reimburse them for their out-of-pocket expenses in connection therewith. The Company will also reimburse brokers and dealers for customary mailing and handling expenses incurred by them in forwarding copies of this Statement and related documents to the beneficial owners of the Notes.

SOLICITATION AGENT

The Company has engaged Deutsche Bank Securities Inc. to act in connection with the Consent Solicitation. The Company will pay Deutsche Bank Securities Inc. reasonable and customary fees for its services as Solicitation Agent and will reimburse it for its reasonable out-of-pocket expenses in connection herewith. The Company has agreed to indemnify the Solicitation Agent for certain liabilities in connection with their service as Solicitation Agent. At any given time, the Solicitation Agent may trade the Notes or other debt securities of the Company for its own account or for the accounts of customers and, accordingly, may hold a long or short position in the Notes or such other securities. All inquiries and correspondence addressed to the Solicitation Agent relating to the Consent Solicitation should be directed to the addresses and telephone numbers set forth on the back cover page of this Statement.

The Solicitation Agent assumes no responsibility for the accuracy or completeness of the information contained in this Statement or for any failure by the Company to disclose events that may affect the significance or accuracy of that information.

The Solicitation Agent has provided in the past and may continue to provide other investment banking and financial advisory services to the Company and their respective affiliates and could receive customary compensation from the Company for such services.

FEES AND EXPENSES

The Company will bear all of the costs of the Consent Solicitation. We will reimburse the Trustee for the reasonable and customary expenses that the Trustee incurs in connection with the Consent Solicitation and the execution of the Supplemental Indentures. We will also reimburse banks, trust companies, securities dealers, nominees, custodians and fiduciaries for their reasonable and customary expenses in forwarding this Statement and the Consent Documents to beneficial owners of the Notes. The Company will also pay the Soliciting Dealer Fee to brokers for consenting positions under \$500,000 in connection with the Consent Solicitation as described in more detail herein.

MISCELLANEOUS

Holders residing outside the United States who wish to deliver a Consent must satisfy themselves as to their full observance of the laws of the relevant jurisdiction in connection therewith. If the Company becomes aware of any jurisdiction where the making of the Consent Solicitation would not be in compliance with such laws, the Company will make a good faith effort to comply with any such laws or may seek to have such laws declared inapplicable to the Consent Solicitation. If, after such good faith effort, the Company cannot comply with any such applicable laws, the Consent Solicitation will not be made to (nor will Consents be accepted from or on behalf of) the Holders of the Notes residing or having a principal place of business in each such jurisdiction.

From time to time, the Company or its affiliates may engage in additional consent solicitations. Any future consent solicitations may be on the same terms or on terms that are more or less favorable to Holders of the Notes than the terms of the Consent Solicitation, as the Company may determine in its sole discretion.

CONSENT SOLICITATION STATEMENT

MBIA Inc.

Questions and requests for assistance or additional copies of the Consent Documents, the Indentures and the documents incorporated by reference into this Statement may be directed to the Information Agent at the address below. Holders should retain their Notes and not deliver any such Notes to the Tabulation Agent or the Information Agent. Duly executed Consent Forms should be sent to the Tabulation Agent at the address provided below in accordance with the instructions set forth in the Consent Documents:

The Information Agent for the Consent Solicitation is

**i-Deal LLC
65 Broadway, 16th Floor
New York, New York 10006
Attn: Aaron Dougherty
Email: consent@ipreo.com
Banks and Brokers call: (212) 849-5000
U.S. Toll Free: (888) 593-9546**

The Tabulation Agent for the Consent Solicitation is:

**i-Deal LLC
65 Broadway, 16th Floor
New York, New York 10006
Attn: Aaron Dougherty
Email: consent@ipreo.com
Banks and Brokers call: (212) 849-5000
U.S. Toll Free: (888) 593-9546**

Questions and requests for assistance may be directed to the Solicitation Agent at the addresses and telephone numbers set forth below. A Holder may also contact such Holder's broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Consent Solicitation.

The Solicitation Agent for the Consent Solicitation is:

**Deutsche Bank Securities Inc.
60 Wall Street
New York, New York 10005
Attention: Liability Management Group
Collect: (212) 250-7527
U.S. Toll Free: (855) 287-1922**

Appendix F



MBIA Inc.
Quarterly Operating Supplement
September 30, 2012

Third Quarter 2012

MBIA Inc. and Subsidiaries
Quarterly Operating Supplement ⁽¹⁾

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MBIA Inc. and Subsidiaries
Quarterly Operating Supplement ⁽¹⁾

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⁽¹⁾ This report is unaudited.

Safe Harbor Disclosure

This Operating Supplement includes statements that are not historical or current facts and are “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words “believe,” “anticipate,” “project,” “plan,” “expect,” “intend,” “will likely result,” “looking forward” or “will continue,” and similar expressions identify forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected, including, among other risks and uncertainties, uncertainty regarding whether the Company will realize, or will be delayed in realizing, insurance loss recoveries expected in disputes with sellers/servicers of RMBS transactions at the levels recorded in its financial statements, the possibility that the Company will experience severe losses or liquidity needs due to increased deterioration in its insurance portfolios and in particular, due to the performance of CDOs including multi-sector, CMBS and CRE CDOs and RMBS, failure to obtain regulatory approval to implement our risk reduction and liquidity strategies, the possibility that loss reserve estimates are not adequate to cover potential claims, the possibility that MBIA Inc.’s obligations will be accelerated if MBIA Insurance Corporation becomes subject to a rehabilitation or liquidation proceeding, the Company’s ability to access capital and the Company’s exposure to significant fluctuations in liquidity and asset values within the global credit markets, in particular in the ALM business, the Company’s ability to fully implement its strategic plan, including its ability to achieve high stable ratings for National or any other insurance subsidiaries, and the Company’s ability to commute certain of its insured exposures, including as a result of limited available liquidity, the Company’s ability to favorably resolve litigation claims against the Company, and changes in general economic and competitive conditions. These and other factors that could affect financial performance or could cause actual results to differ materially from estimates contained in or underlying the Company’s forward-looking statements are discussed under the “Risk Factors” section in MBIA Inc.’s most recent Annual Report on Form 10-K, which may be updated or amended in the Company’s subsequent filings with the Securities and Exchange Commission. The Company cautions readers not to place undue reliance on any such forward-looking statements, which speak only to their respective dates. The Company undertakes no obligation to publicly correct or update any forward-looking statement if it later becomes aware that such result is not likely to be achieved.

MBIA Inc. (Consolidated)

MBIA Inc. and Subsidiaries
Consolidated Balance Sheets - Assets
(dollars in millions)

	September 30, 2012	December 31, 2011
Assets		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost \$4,412 and \$6,259)	\$ 4,634	\$ 6,177
Fixed-maturity securities at fair value	237	295
Investments pledged as collateral, at fair value (amortized cost \$424 and \$642)	350	543
Short-term investments held as available-for-sale, at fair value (amortized cost \$1,440 and \$1,577)	1,445	1,571
Other investments (includes investments at fair value of \$16 and \$96)	27	107
Total investments	6,693	8,693
Cash and cash equivalents	298	473
Premiums receivable	1,280	1,360
Deferred acquisition costs	317	351
Insurance loss recoverable	3,316	3,046
Property and equipment, at cost (less accumulated depreciation of \$144 and \$139)	69	69
Deferred income taxes, net	1,446	1,745
Other assets	414	243
Assets of consolidated variable interest entities:		
Cash	143	160
Investments held-to-maturity, at amortized cost (fair value \$2,867 and \$3,489)	3,015	3,843
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost \$461 and \$473)	442	432
Fixed-maturity securities at fair value	1,754	2,884
Loans receivable at fair value	1,892	2,046
Loan repurchase commitments	1,051	1,077
Derivative assets	-	450
Other assets	2	1
Total assets	\$ 22,132	\$ 26,873
Total assets		

MBIA Inc. and Subsidiaries
Consolidated Balance Sheets - Liabilities and Equity
(dollars in millions except per share amounts)

	September 30, 2012	December 31, 2011
Liabilities and Equity		
Liabilities:		
Unearned premium revenue	\$ 3,091	\$ 3,515
Loss and loss adjustment expense reserves	945	836
Investment agreements	993	1,578
Medium-term notes (includes financial instruments carried at fair value of \$168 and \$165)	1,606	1,656
Securities sold under agreements to repurchase	-	287
Long-term debt	1,836	1,840
Derivative liabilities	3,332	5,164
Other liabilities	467	391
Liabilities of consolidated variable interest entities:		
Variable interest entity notes (includes financial instruments carried at fair value of \$3,626 and \$4,754)	7,094	8,697
Long-term debt	-	360
Derivative liabilities	180	825
Other liabilities	1	1
Total liabilities	19,545	25,150
Equity:		
Preferred stock, par value \$1 per share; authorized shares—10,000,000; issued and outstanding—none	-	-
Common stock, par value \$1 per share; authorized shares—400,000,000; issued shares — 275,455,099 and 274,896,162	275	275
Additional paid-in capital	3,072	3,072
Retained earnings	1,403	805
Accumulated other comprehensive income (loss), net of deferred tax of \$24 and \$105	90	(176)
Treasury stock, at cost — 81,729,792 and 81,752,966 shares	(2,275)	(2,276)
Total shareholders' equity of MBIA Inc.	2,565	1,700
Preferred stock of subsidiary and noncontrolling interest	22	23
Total equity	2,587	1,723
Total liabilities and equity	\$ 22,132	\$ 26,873

MBIA Inc. and Subsidiaries
Segment Results to Consolidated Statement of Operations Reconciliation
(dollars in millions)

Three months ended September 30, 2012

	U.S. Public Finance Insurance (National)	Structured Finance and International Insurance (MBIA Corp.)	Advisory Services (Cutwater)	Corporate	Wind-down Operations	Subtotal	Eliminations	Consolidated
Revenues:								
Premiums earned:								
Scheduled premiums earned	\$ 52	\$ 38	\$ -	\$ -	\$ -	\$ 90	\$ (5)	\$ 85
Refunding premiums earned	82	-	-	-	-	82	(12)	70
Total premiums earned	134	38	-	-	-	172	(17)	155
Net investment income	56	8	-	3	7	74	(24)	50
Fees and reimbursements	2	43	13	54	-	112	(92)	20
Change in fair value of insured derivatives:								
Realized gains (losses) and other settlements on insured derivatives	-	12	-	-	-	12	-	12
Unrealized gains (losses) on insured derivatives	-	(33)	-	-	-	(33)	-	(33)
Net change in fair value of insured derivatives	-	(21)	-	-	-	(21)	-	(21)
Net gains (losses) on financial instruments at fair value and foreign exchange	22	14	-	11	(38)	9	(2)	7
Investment losses related to other-than-temporary impairments:								
Investment losses related to other-than-temporary impairments	-	(3)	-	-	-	(3)	-	(3)
Other-than-temporary impairments recognized in accumulated other comprehensive loss	-	(1)	-	(4)	-	(5)	-	(5)
Net investment losses related to other-than-temporary impairments	-	(4)	-	(4)	-	(8)	-	(8)
Other net realized gains (losses)	-	1	-	-	-	1	-	1
Revenues of consolidated VIEs:								
Net investment income	-	13	-	-	3	16	1	17
Net gains (losses) on financial instruments at fair value and foreign exchange	-	42	-	-	-	42	2	44
Net gains (losses) on extinguishment of debt	-	-	-	-	16	16	-	16
Total revenues	214	134	13	64	(12)	413	(132)	281
Expenses:								
Losses and loss adjustment	4	167	-	-	-	171	-	171
Amortization of deferred acquisition costs	26	24	-	-	-	50	(42)	8
Operating	20	30	15	27	3	95	(23)	72
Interest	-	62	-	15	22	99	(30)	69
Expenses of consolidated VIEs:								
Operating	-	5	-	-	37	42	(37)	5
Interest	-	10	-	-	3	13	-	13
Total expenses	50	298	15	42	65	470	(132)	338
Pre-tax income (loss)	\$ 164	\$ (164)	\$ (2)	\$ 22	\$ (77)	\$ (57)	\$ -	(57)
Provision (benefit) for income taxes								(64)
Net income (loss)								\$ 7

MBIA Inc. and Subsidiaries
Segment Results to Consolidated Statement of Operations Reconciliation
(dollars in millions)

Three Months Ended September 30, 2011

	U.S. Public Finance Insurance (National)	Structured Finance and International Insurance (MBIA Corp.)	Advisory Services (Cutwater)	Corporate	Wind-down Operations	Subtotal	Eliminations	Consolidated
Revenues:								
Premiums earned:								
Scheduled premiums earned	\$ 69	\$ 51	\$ -	\$ -	\$ -	\$ 120	\$ (9)	\$ 111
Refunding premiums earned	78	-	-	-	-	78	(13)	65
Total premiums earned	147	51	-	-	-	198	(22)	176
Net investment income	53	17	-	1	18	89	3	92
Fees and reimbursements	2	36	14	22	-	74	(58)	16
Change in fair value of insured derivatives:								
Realized gains (losses) and other settlements on insured derivatives	-	(53)	-	-	-	(53)	-	(53)
Unrealized gains (losses) on insured derivatives	-	776	-	-	-	776	-	776
Net change in fair value of insured derivatives	-	723	-	-	-	723	-	723
Net gains (losses) on financial instruments at fair value and foreign exchange	6	(12)	-	8	11	13	-	13
Investment losses related to other-than-temporary impairments:								
Investment losses related to other-than-temporary impairments	-	-	-	(11)	(1)	(12)	-	(12)
Other-than-temporary impairments recognized in accumulated other comprehensive loss	-	-	-	1	-	1	-	1
Net investment losses related to other-than-temporary impairments	-	-	-	(10)	(1)	(11)	-	(11)
Other net realized gains (losses)	-	1	-	-	-	1	-	1
Revenues of consolidated VIEs:								
Net investment income	-	12	-	-	4	16	1	17
Net gains (losses) on financial instruments at fair value and foreign exchange	-	86	-	-	-	86	2	88
Other net realized gains (losses)	-	-	-	-	-	-	5	5
Total revenues	208	914	14	21	32	1,189	(69)	1,120
Expenses:								
Losses and loss adjustment	10	180	-	-	-	190	-	190
Amortization of deferred acquisition costs	22	34	-	-	-	56	(44)	12
Operating	19	35	15	28	3	100	(24)	76
Interest	-	34	-	14	32	80	(5)	75
Expenses of consolidated VIEs:								
Operating	-	8	-	-	1	9	(2)	7
Interest	-	10	-	-	5	15	-	15
Total expenses	51	301	15	42	41	450	(75)	375
Pre-tax income (loss)	\$ 157	\$ 613	\$ (1)	\$ (21)	\$ (9)	\$ 739	\$ 6	745
Provision (benefit) for income taxes								301
Net income (loss)								\$ 444

MBIA Inc. and Subsidiaries
Segment Results to Consolidated Statement of Operations Reconciliation
(dollars in millions)

Nine months ended September 30, 2012

	U.S. Public Finance Insurance (National)	Structured Finance and International Insurance (MBIA Corp.)	Advisory Services (Cutwater)	Corporate	Wind-down Operations	Subtotal	Eliminations	Consolidated
Revenues:								
Premiums earned:								
Scheduled premiums earned	\$ 168	\$ 143	\$ -	\$ -	\$ -	\$ 311	\$ (20)	\$ 291
Refunding premiums earned	202	-	-	-	-	202	(29)	173
Total premiums earned	370	143	-	-	-	513	(49)	464
Net investment income	167	22	-	10	37	236	(64)	172
Fees and reimbursements	5	109	42	133	-	289	(242)	47
Change in fair value of insured derivatives:								
Realized gains (losses) and other settlements on insured derivatives	-	(420)	-	-	-	(420)	-	(420)
Unrealized gains (losses) on insured derivatives	-	1,473	-	-	-	1,473	-	1,473
Net change in fair value of insured derivatives	-	1,053	-	-	-	1,053	-	1,053
Net gains (losses) on financial instruments at fair value and foreign exchange	43	18	-	19	(170)	(90)	72	(18)
Investment losses related to other-than-temporary impairments:								
Investment losses related to other-than-temporary impairments	-	(6)	-	-	(52)	(58)	-	(58)
Other-than-temporary impairments recognized in accumulated other comprehensive loss	-	(39)	-	(4)	(4)	(47)	-	(47)
Net investment losses related to other-than-temporary impairments	-	(45)	-	(4)	(56)	(105)	-	(105)
Other net realized gains (losses)	-	1	-	5	1	7	-	7
Revenues of consolidated VIEs:								
Net investment income	-	40	-	-	8	48	3	51
Net gains (losses) on financial instruments at fair value and foreign exchange	-	(25)	-	-	-	(25)	8	(17)
Net gains (losses) on extinguishment of debt	-	-	-	-	49	49	-	49
Total revenues	585	1,316	42	163	(131)	1,975	(272)	1,703
Expenses:								
Losses and loss adjustment	15	315	-	-	-	330	-	330
Amortization of deferred acquisition costs	75	81	-	-	-	156	(120)	36
Operating	128	115	48	79	12	382	(75)	307
Interest	-	175	-	43	79	297	(83)	214
Expenses of consolidated VIEs:								
Operating	-	16	-	-	72	88	(74)	14
Interest	-	32	-	-	11	43	-	43
Total expenses	218	734	48	122	174	1,296	(352)	944
Pre-tax income (loss)	\$ 367	\$ 582	\$ (6)	\$ 41	\$ (305)	\$ 679	\$ 80	759
Provision (benefit) for income taxes								161
Net income (loss)								\$ 598

MBIA Inc. and Subsidiaries
Segment Results to Consolidated Statement of Operations Reconciliation
(dollars in millions)

Nine Months Ended September 30, 2011

Revenues:

Premiums earned:

	U.S. Public Finance Insurance (National)	Structured Finance and International Insurance (MBIA Corp.)	Advisory Services (Cutwater)	Corporate	Wind-down Operations	Subtotal	Eliminations	Consolidated
Scheduled premiums earned	\$ 220	\$ 173	\$ -	\$ -	\$ -	\$ 393	\$ (39)	\$ 354
Refunding premiums earned	121	8	-	-	-	129	(21)	108
Total premiums earned	341	181	-	-	-	522	(60)	462
Net investment income	165	65	-	-	59	289	10	299
Fees and reimbursements	5	89	46	68	-	208	(167)	41

Change in fair value of insured derivatives:

Realized gains (losses) and other settlements on insured derivatives	2	(601)	-	-	-	(599)	-	(599)
Unrealized gains (losses) on insured derivatives	-	(531)	-	-	-	(531)	-	(531)
Net change in fair value of insured derivatives	2	(1,132)	-	-	-	(1,130)	-	(1,130)

Net gains (losses) on financial instruments at fair value and foreign exchange

	24	21	-	47	(206)	(114)	-	(114)
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Investment losses related to other-than-temporary impairments:

Investment losses related to other-than-temporary impairments	-	(2)	-	(11)	(12)	(25)	-	(25)
Other-than-temporary impairments recognized in accumulated other comprehensive loss	-	(2)	-	1	(18)	(19)	-	(19)

Net investment losses related to other-than-temporary impairments

	-	(4)	-	(10)	(30)	(44)	-	(44)
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Net gains (losses) on extinguishment of debt

	-	-	-	-	24	24	2	26
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Other net realized gains (losses)

	-	2	-	-	4	6	-	6
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Revenues of consolidated VIEs:

Net investment income	-	39	-	-	11	50	3	53
Net gains (losses) on financial instruments at fair value and foreign exchange	-	(27)	-	-	13	(14)	17	3
Other net realized gains (losses)	-	-	-	-	-	-	8	8

Total revenues	537	(766)	46	105	(125)	(203)	(187)	(390)
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Expenses:

Losses and loss adjustment	4	200	-	-	-	204	-	204
Amortization of deferred acquisition costs	64	106	-	-	-	170	(119)	51
Operating	56	104	52	78	9	299	(73)	226
Interest	-	101	-	44	98	243	(18)	225

Expenses of consolidated VIEs:

Operating	-	26	-	-	2	28	(4)	24
Interest	-	31	-	-	14	45	-	45

Total expenses	124	568	52	122	123	989	(214)	775
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Pre-tax income (loss)

	\$ 413	\$ (1,334)	\$ (6)	\$ (17)	\$ (248)	\$ (1,192)	\$ 27	(1,165)
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Provision (benefit) for income taxes

(472)

Net income (loss)

\$ (693)

MBIA Inc. and Subsidiaries
Adjusted Pre-tax Income (Loss) Reconciliation ⁽¹⁾
(dollars in millions)

MBIA Inc. and Subsidiaries (Consolidated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Adjusted pre-tax income (loss)	\$ (118)	\$ (430)	\$ (818)	\$ (244)
Additions to adjusted pre-tax income (loss):				
Impact of consolidating certain VIEs	29	9	62	68
Mark-to-market gain (loss) on insured credit derivatives	(33)	832	1,473	(671)
Subtractions from adjusted pre-tax income (loss):				
Impairments on insured credit derivatives	(65)	(334)	(42)	318
Pre-tax income (loss)	<u>\$ (57)</u>	<u>\$ 745</u>	<u>\$ 759</u>	<u>\$ (1,165)</u>

Structured Finance & International Insurance (MBIA Corp.)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Adjusted pre-tax income (loss)	\$ (224)	\$ (556)	\$ (970)	\$ (388)
Additions to adjusted pre-tax income (loss):				
Impact of consolidating certain VIEs	28	3	37	43
Mark-to-market gain (loss) on insured credit derivatives	(33)	832	1,473	(671)
Subtractions from adjusted pre-tax income (loss):				
Impairments on insured credit derivatives	(65)	(334)	(42)	318
Pre-tax income (loss)	<u>\$ (164)</u>	<u>\$ 613</u>	<u>\$ 582</u>	<u>\$ (1,334)</u>

Adjusted Pre-tax Income (Loss) Trend ^{(1) (2)}
(dollars in millions)

	2012				
	03/31	06/30	09/30	12/31	Year-to-date
MBIA Inc. (Consolidated)	\$ (548)	\$ (152)	\$ (118)		\$ (818)
Structured Finance & International Insurance (MBIA Corp.)	\$ (446)	\$ (300)	\$ (224)		\$ (970)
	2011				
	03/31	06/30	09/30	12/31	Full Year
MBIA Inc. (Consolidated)	\$ 25	\$ 161	\$ (430)	\$ (252)	\$ (497)
Structured Finance & International Insurance (MBIA Corp.)	\$ (20)	\$ 188	\$ (556)	\$ (300)	\$ (688)

⁽¹⁾ A non-GAAP measure; please see glossary for an explanation of Adjusted Pre-tax Income.

⁽²⁾ Totals may not add due to rounding.

MBIA Inc. and Subsidiaries
Adjusted Book Value

GAAP Basis	September 30, 2012					
	U.S Public Finance Insurance (National)	Structured Finance & International Insurance (MBIA Corp.)	Advisory Services (Cutwater)	Corporate	Wind-down Operations	Consolidated
<u>Share Data</u>						
Reported Book Value	\$20.14	\$0.17	\$0.13	(\$5.00)	(\$2.19)	\$13.25
Adjustments for Items Included in Book Value per Share (after-tax):						
Cumulative Net Loss from Consolidating Certain VIEs ⁽¹⁾	-	0.66	-	-	-	0.66
Cumulative Unrealized Loss on Insured Credit Derivatives	-	11.13	-	-	-	11.13
Net Unrealized (Gains) Losses Included in OCI	(0.59)	(0.47)	-	0.28	0.12	(0.66)
Adjustments for Items Not Included in Book Value per Share (after-tax):						
Net Unearned Premium Revenue ^{(2) (3)}	5.48	4.66	-	-	-	10.14
Cumulative Impairments on Insured Credit Derivatives ⁽²⁾	-	(3.88)	-	-	-	(3.88)
Adjusted Book Value ⁽⁴⁾	\$25.03	\$12.27	\$0.13	(\$4.72)	(\$2.07)	\$30.64

GAAP Basis	December 31, 2011					
	U.S Public Finance Insurance (National)	Structured Finance & International Insurance (MBIA Corp.)	Advisory Services (Cutwater)	Corporate	Wind-down Operations	Consolidated
<u>Share Data</u>						
Reported Book Value	\$18.63	(\$2.18)	\$0.14	(\$4.13)	(\$3.66)	\$8.80
Adjustments for Items Included in Book Value per Share (after-tax):						
Cumulative Net Loss from Consolidating Certain VIEs ⁽¹⁾	-	0.82	-	-	-	\$0.82
Cumulative Unrealized Loss on Insured Credit Derivatives	-	16.12	-	-	-	\$16.12
Net Unrealized (Gains) Losses Included in OCI	(0.37)	(0.19)	-	0.29	1.12	\$0.85
Adjustments for Items Not Included in Book Value per Share (after-tax):						
Net Unearned Premium Revenue ^{(2) (3)}	6.52	5.13	-	-	-	\$11.65
Cumulative Impairments on Insured Credit Derivatives ⁽²⁾	-	(3.74)	-	-	-	(\$3.74)
Adjusted Book Value ⁽⁴⁾	\$24.78	\$15.96	\$0.14	(\$3.84)	(\$2.54)	\$34.50

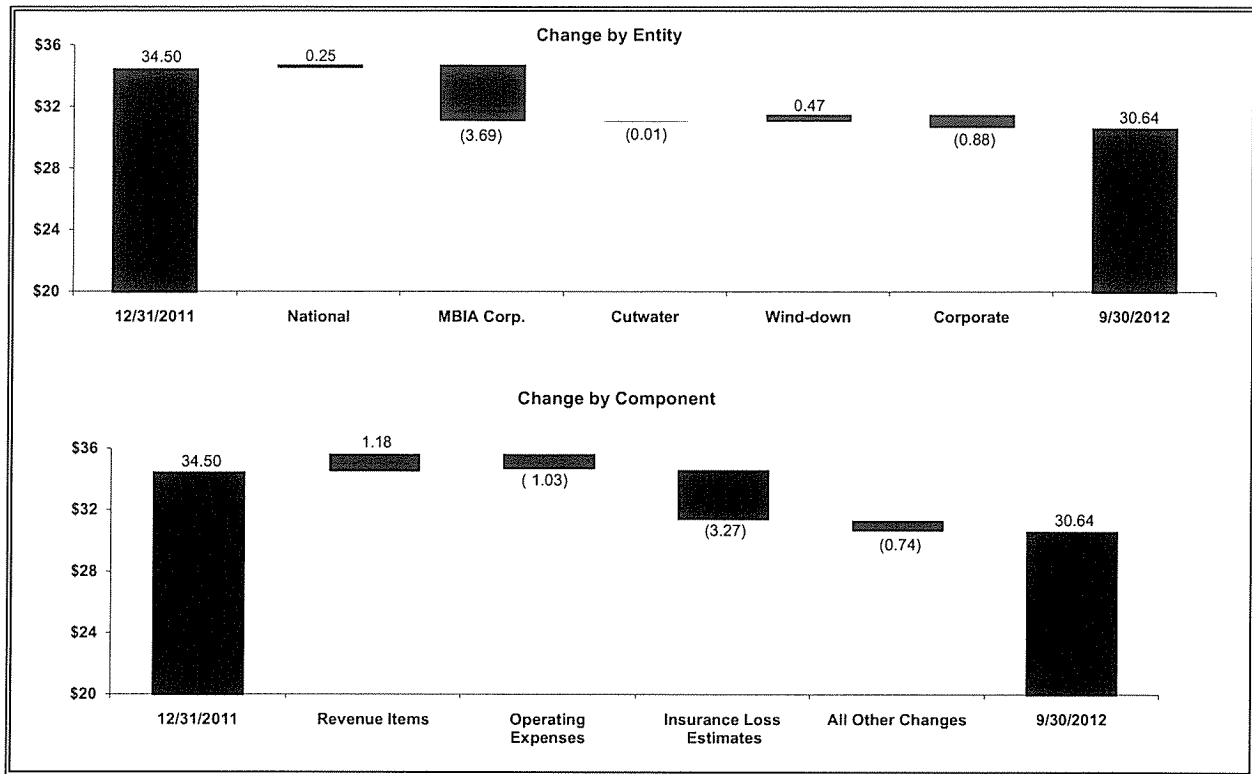
⁽¹⁾ Represents the impact on consolidated total equity of VIEs that are not considered business enterprises of the Company.

⁽²⁾ The discount rate on Financial Guarantee insurance installment premiums was the risk-free rate as defined by GAAP for Financial Guarantee insurance contracts and the discount rate on Insured Derivative installment revenue and impairments was 5%.

⁽³⁾ The amounts consist of installment and upfront Financial Guarantee insurance premiums, Insured Derivative revenue and deferred commitment/structuring fees, net of Deferred Acquisition Costs.

⁽⁴⁾ A non-GAAP measure; please see glossary for an explanation of Adjusted Book Value.

MBIA Inc. and Subsidiaries
Adjusted Book Value ⁽¹⁾



MBIA Inc. and Subsidiaries
Adjusted Book Value ⁽¹⁾
Historical Trend

	Year Ended December 31,				
	September 30, 2012	2011	2010	2009 ⁽²⁾	2008 ⁽²⁾
Adjusted Book Value Per Share	\$ 30.64	\$ 34.50	\$ 36.81	\$ 38.94	\$ 42.75
Actual Common Shares Outstanding (000)	193,725	193,143	199,746	204,668	207,921

(1) A non-GAAP measure; please see glossary for an explanation of Adjusted Book Value.

(2) Revised to reflect the current calculation of Adjusted Book Value.

MBIA Inc. and Subsidiaries
Securities Buyback Activity
(dollars in millions)

	<u>Three months ended</u> March 31, 2012		<u>Three months ended</u> June 30, 2012		<u>Three months ended</u> September 30, 2012		<u>Three months ended</u> December 31, 2012		<u>Year-to-date</u>	
	Cost	Gain/ Value Added	Cost	Gain/ Value Added	Cost	Gain/ Value Added	Cost	Gain/ Value Added	Cost	Gain/ Value Added
Holdco Securities										
Common Stock Repurchases ⁽¹⁾⁽²⁾	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			\$ -	\$ -
Debt ⁽²⁾	\$ 1.4	\$ -	\$ 1.5	\$ -	\$ 1.2	\$ -			\$ 4.1	\$ -
Wind-down Operations Securities										
ALM Liabilities Extinguishment	\$ -	\$ -	\$ 10.6	\$ 0.2	\$ -	\$ -			\$ 10.6	\$ 0.2
Conduit Debt Extinguishment	\$ -	\$ -	\$ 317.0	\$ 33.4	\$ 101.9	\$ 15.8			\$ 418.9	\$ 49.2
MBIA Corp. Securities										
Corp. Surplus Notes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			\$ -	\$ -
Corp. Preferred Shares	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			\$ -	\$ -
MBIA Inc. (Consolidated)	<u>\$ 1.4</u>	<u>\$ -</u>	<u>\$ 329.1</u>	<u>\$ 33.6</u>	<u>\$ 103.1</u>	<u>\$ 15.8</u>			<u>\$ 433.6</u>	<u>\$ 49.4</u>

	<u>Three months ended</u> March 31, 2011		<u>Three months ended</u> June 30, 2011		<u>Three months ended</u> September 30, 2011		<u>Three months ended</u> December 31, 2011		<u>Full Year 2011</u>	
	Cost	Gain/ Value Added	Cost	Gain/ Value Added	Cost	Gain/ Value Added	Cost	Gain/ Value Added	Cost	Gain/ Value Added
Holdco Securities										
Common Stock Repurchases ⁽¹⁾⁽²⁾	\$ -	\$ -	\$ 25.0	\$ 82.5	\$ 25.0	\$ 99.8	\$ -	\$ -	\$ 50.0	\$ 182.3
Debt ⁽²⁾	\$ 0.9	\$ -	\$ 1.6	\$ -	\$ 1.4	\$ -	\$ 1.3	\$ -	\$ 5.2	\$ -
Wind-down Operations Securities										
ALM Liabilities Extinguishment	\$ 98.2	\$ 23.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98.2	\$ 23.5
Conduit Debt Extinguishment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MBIA Corp. Securities										
Corp. Surplus Notes	\$ 2.9	\$ 2.4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2.9	\$ 2.4
Corp. Preferred Shares	\$ -	\$ -	\$ 0.4	\$ 3.7	\$ 1.8	\$ 5.2	\$ -	\$ -	\$ 2.2	\$ 8.9
MBIA Inc. (Consolidated)	<u>\$ 102.0</u>	<u>\$ 25.9</u>	<u>\$ 27.0</u>	<u>\$ 86.2</u>	<u>\$ 28.2</u>	<u>\$ 105.0</u>	<u>\$ 1.3</u>	<u>\$ -</u>	<u>\$ 158.5</u>	<u>\$ 217.1</u>

⁽¹⁾ Gains estimated versus adjusted book value.

⁽²⁾ Presented on a cash settlement rather than trade date basis.

U.S. Public Finance Insurance Segment

(primarily National Public Finance Guarantee Corporation)

U.S. Public Finance Insurance
(primarily National Public Finance Guarantee Corporation)
Net Premiums Earned and Refundings and Other Accelerations ⁽¹⁾
(dollars in thousands)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date/ Full Year
Net Premiums Earned					
2012					
Financial Guarantee	\$ 106,596	\$ 129,675	\$ 133,633		\$ 369,904
Insured Derivatives	105	105	105		315
Total	\$ 106,701	\$ 129,780	\$ 133,738		\$ 370,219
2011					
Financial Guarantee	\$ 88,887	\$ 105,785	\$ 147,155	\$ 112,260	\$ 454,087
Insured Derivatives	122	1,461	110	166	1,859
Total	\$ 89,009	\$ 107,246	\$ 147,265	\$ 112,426	\$ 455,946
Refundings and Other Accelerations					
2012					
Financial Guarantee	\$ 47,321	\$ 72,688	\$ 82,068		\$ 202,077
Insured Derivatives	-	-	42		42
Total	\$ 47,321	\$ 72,688	\$ 82,110		\$ 202,119
2011					
Financial Guarantee	\$ 12,446	\$ 30,595	\$ 78,751	\$ 49,372	\$ 171,164
Insured Derivatives	-	1,346	-	-	1,346
Total	\$ 12,446	\$ 31,941	\$ 78,751	\$ 49,372	\$ 172,510

⁽¹⁾ Premiums earned differ from amounts reported for National Public Finance Guarantee Corporation due to U.S. public finance policies that were subsequently determined to have refunded prior to the reinsurance agreement with MBIA Insurance Corporation that became effective on 1/1/09. The premiums associated with those refunded issues were returned to MBIA Insurance Corporation.

**Amortization of Gross Par, Gross Debt Service, Net Unearned Premium
and Cash Premiums Collected and Expected**
(dollars in millions)

	Ending Gross Par Outstanding	Ending Gross Debt Service Outstanding	Net Unearned Premiums ⁽¹⁾	Expected Future Premium Earnings ⁽¹⁾⁽²⁾				Cash Premiums Collected and Expected ⁽³⁾
				Upfront	Installments	Accretion	Total	
3rd Qtr. 2012	\$ 356,249	\$ 563,116	\$ 2,070					5
4th Qtr. 2012	348,403	550,814	2,015	51	4	2	57	7
2013	317,166	502,111	1,810	190	15	8	213	18
2014	291,193	459,992	1,627	168	15	7	190	17
2015	269,145	423,007	1,461	151	15	7	173	17
2016	250,089	389,901	1,310	137	14	7	158	17
2017-2021	166,201	248,215	728	518	64	30	612	79
2022-2026	97,854	140,836	366	310	52	23	385	67
2027 and thereafter	-	-	-	255	111	35	401	170
Total				\$ 1,780	\$ 290	\$ 119	\$ 2,189	\$ 397

⁽¹⁾ Includes financial guarantee and insured derivative premiums.

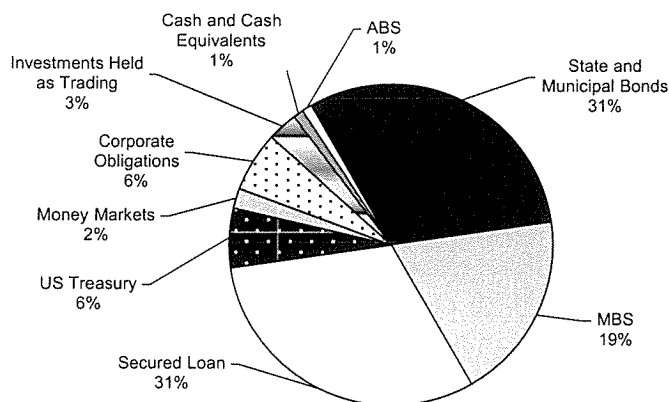
⁽²⁾ Actual future premium earnings will differ from the current projection due to the addition of new business and refundings.

⁽³⁾ Represents installment-based future net, undiscounted collections.

U.S. Public Finance Insurance
(primarily National Public Finance Guarantee Corporation)
Investment Portfolio Including Cash and Cash Equivalents and Secured Loan
As of September 30, 2012
(dollars in thousands)

<u>Investments</u> ⁽¹⁾	<u>Market Value</u>	<u>% of Market Value</u>	<u>Amortized Cost</u>	<u>Book Yield</u>
Fixed-Maturity Securities:				
Tax Exempt	\$ 917,953	27%	\$ 858,871	3.95%
Taxable	2,184,960	64	2,068,483	3.52
Short-Term	303,524	9	302,650	0.81
Total Fixed-Maturity	3,406,437	100%	\$ 3,230,004	3.38%
Cash and Cash Equivalents	59,169			
Total Fixed Income Including Cash and Cash Equivalents	3,465,606			
Secured Loan to MBIA Corp. ⁽²⁾	1,622,776			
Investments Held as Trading	179,494			
Other	16,388			
Total	\$5,284,264			

Total Investment Portfolio
Including Cash and Cash Equivalents and Secured Loan
Market Value Outstanding \$5,284,264.



<u>Effective Maturity Profile</u>	<u>Market Value</u>	<u>% of Market Value</u>	<u>Quality Distribution of Long-Term Fixed-Maturity Securities</u> <u>Market Value Outstanding \$ 3,102,913</u>	
Cash and Cash Equivalents	\$ 59,169	1.2%	<u>Rating</u>	<u>% of Market Value</u>
Within 1 Year	303,524	6.0%	Aaa	54%
1 to 5 Years ⁽³⁾	2,019,820	39.6%	Aa	30
5 to 10 Years	403,935	7.9%	A	9
10 to 15 Years	343,915	6.8%	Baa	5
15 to 20 Years	418,762	8.2%	BIG	1
More than 20 Years	1,539,257	30.3%	NR	1
Total Fixed Income Including Cash and Cash Equivalents and Secured Loan	\$5,088,382	100.0%		<u>100.0%</u>

Long-Term average maturity: 7.67 years
Duration: 4.82 years

⁽¹⁾ Includes Asset Swap between National and MBIA Inc. with notional amount of \$522 million; the total market value of encumbered assets totals \$535 million.

⁽²⁾ On October 1, 2012, the loan balance increased by \$29 million due to the capitalization of unpaid accrued interest.

⁽³⁾ Includes \$1.623 billion of secured loan due from MBIA Insurance Corp. to National, which matures in December 2016.

National Public Finance Guarantee Corporation
Insured Portfolio Losses
Loss and Loss Adjustment Expense (LAE) Reserves and Insurance Loss Recoverable
(dollars in millions)

2012	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
Beginning Gross Loss and LAE Reserves	\$ 162	\$ 175	\$ 167		\$ 162
Beginning Gross Insurance Loss Recoverable	(150)	(161)	(172)		(150)
Beginning Gross Reserves	12	14	(5)		12
Ceded Reserves	-	-	-		-
Net Reserves	12	14	(5)		12
Change in Actual and Expected Payments	22	45	(9)		58
Change in Actual and Expected Salvage	(8)	(48)	13		(43)
Net (Payments), Collections and Other	(12)	(16)	(67)		(95)
Net Reserves	14	(5)	(68)		(68)
Ceded Reserves	-	-	-		-
Gross Reserves	14	(5)	(68)		(68)
Gross Loss and LAE Reserves	175	167	162		162
Gross Insurance Loss Recoverable	\$ (161)	\$ (172)	\$ (230)		\$ (230)

2011	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Beginning Gross Loss and LAE Reserves	\$ 215	\$ 197	\$ 179	\$ 182	\$ 215
Beginning Gross Insurance Loss Recoverable	(71)	(72)	(85)	(143)	(71)
Beginning Gross Reserves	144	125	94	39	144
Ceded Reserves	-	-	-	-	-
Net Reserves	144	125	94	39	144
Change in Actual and Expected Payments	(156)	17	54	(4)	(89)
Change in Actual and Expected Salvage	160	(26)	(44)	3	93
Net (Payments), Collections and Other	(23)	(22)	(65)	(26)	(136)
Net Reserves	125	94	39	12	12
Ceded Reserves	-	-	-	-	-
Gross Reserves	125	94	39	12	12
Gross Loss and LAE Reserves	197	179	182	162	162
Gross Insurance Loss Recoverable	\$ (72)	\$ (85)	\$ (143)	\$ (150)	\$ (150)

National Public Finance Guarantee Corporation

**Liquidity Position ⁽¹⁾
(dollars in millions)**

2012	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
Beginning Cash & Cash Equivalents ⁽²⁾:	\$ 117	\$ 191	\$ 57		\$ 117
Premiums and Fees ⁽³⁾	(3)	3	(2)		(2)
Net Investment Income	35	36	34		105
Other	-	-	9		9
Total Inflows	32	39	41		112
Gross Loss & LAE Payments	13	16	75		104
Operating & Other Expenses	21	75	33		129
Tax Payments	35	21	50		106
Total Outflows	69	112	158		339
Operating Cash Flow	(37)	(73)	(117)		(227)
Financing Activities	-	-	-		-
Investing Activities	111	(61)	87		137
Net Cash Flow	74	(134)	(30)		(90)
Ending Cash & Cash Equivalents ⁽²⁾:	\$ 191	\$ 57	\$ 27		\$ 27
Other Liquid Assets ⁽⁴⁾	499	295	291		291
Ending Liquidity Position	\$ 690	\$ 352	\$ 318		\$ 318

2011	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Beginning Cash & Cash Equivalents ⁽²⁾:	\$ 7	\$ 24	\$ 97	\$ 54	\$ 7
Premiums and Fees ⁽³⁾	2	2	8	(111)	(99)
Net Investment Income	63	56	58	51	228
Other	-	1	-	7	8
Total Inflows	65	59	66	(53)	137
Gross Loss & LAE Payments	22	23	68	46	159
Operating & Other Expenses	29	12	21	31	93
Tax Payments	114	50	30	65	259
Total Outflows	165	85	119	142	511
Operating Cash Flow	(100)	(26)	(53)	(195)	(374)
Financing Activities	(11)	11	11	-	11
Investing Activities	128	88	(1)	258	473
Net Cash Flow	17	73	(43)	63	110
Ending Cash & Cash Equivalents ⁽²⁾:	\$ 24	\$ 97	\$ 54	\$ 117	\$ 117
Other Liquid Assets ⁽⁴⁾	352	236	91	586	586
Ending Liquidity Position	\$ 376	\$ 333	\$ 145	\$ 703	\$ 703

⁽¹⁾ Presented on a direct cash flow basis for transactions settled within the reporting periods. Ending Liquidity Position excludes assets that are not readily available for sale such as cash & cash equivalents and assets designated to alternative investment strategy portfolios.

⁽²⁾ Represents management's view of cash and cash equivalents; will not agree with National's Consolidated GAAP financial results which include other cash & cash equivalents of alternative investment strategies.

⁽³⁾ Net of refunded premiums to MBIA Corp. of \$6 million, \$5 million and \$4 million in the first three quarters of 2012 and \$116 million in the fourth quarter of 2011.

⁽⁴⁾ Includes other assets with expected maturities of less than 12 months deemed to be liquid but not included in cash and cash equivalents.

National Public Finance Guarantee Corporation
Statutory Balance Sheets Summary
(dollars in millions)

	9/30/2012	12/31/2011
Assets:		
Cash and Investments	\$ 3,635	\$ 4,130
Secured Loan with MBIA Corp.	1,623	1,130
Asset Swap Facility with MBIA Inc.	522	1,335
Other Assets	100	61
Total Assets	\$ 5,880	\$ 6,656
Liabilities:		
Unearned Premiums	2,153	2,485
Loss and LAE Reserves ⁽¹⁾	(75)	(3)
Contingency Reserve	1,286	1,385
Asset Swap Facility	522	1,335
Other Liabilities	177	30
Total Liabilities	4,063	5,232
Total Policyholders' Surplus	1,817	1,424
Total Liabilities and Policyholders' Surplus	\$ 5,880	\$ 6,656

Claims-Paying Resources
(dollars in millions)

Statutory Basis	9/30/2012	12/31/2011
<u>Balance Sheet</u>		
Policyholders' Surplus	\$ 1,817	\$ 1,424
Contingency Reserve	1,286	1,385
Statutory Capital	3,103	2,809
Unearned Premium Reserve	2,153	2,485
Present Value of Installment Premiums ⁽¹⁾	226	239
Premium Resources ⁽²⁾	2,379	2,724
Net Loss and LAE Reserves ⁽¹⁾	(75)	(3)
Salvage Reserve	240	161
Gross Loss and LAE Reserves	165	158
Total Claims-Paying Resources	\$ 5,647	\$ 5,691
Net Debt Service Outstanding	\$ 544,781	\$ 635,653
Capital Ratio	176:1	226:1
Claims-Paying Resources Ratio	113:1	134:1

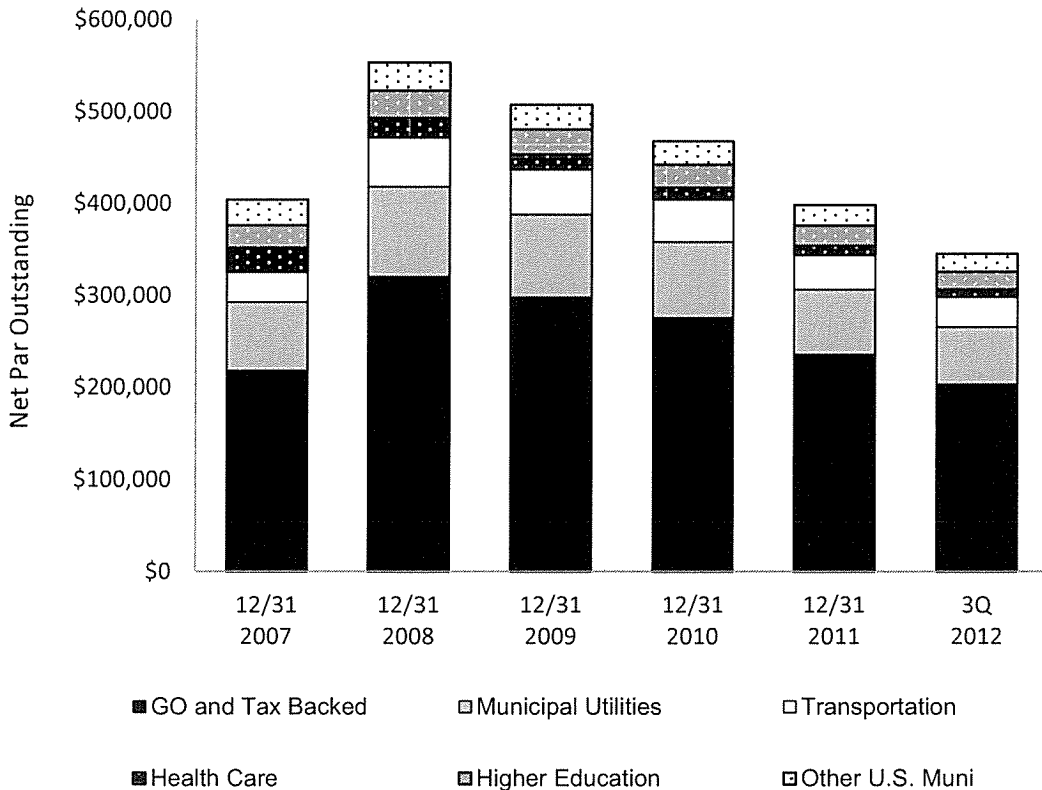
⁽¹⁾ At September 30, 2012 and December 31, 2011, the discount rate was 4.77%.

⁽²⁾ The amounts consist of primarily Financial Guarantee insurance premiums.

U.S. Public Finance Insurance
(National Public Finance Guarantee Corporation)
Insured Portfolio Profile
Par Value by Bond Type
(dollars in millions)

Outstanding as of September 30, 2012⁽¹⁾

Bond Type	Gross		Net	
	Amount	%	Amount	%
General Obligation	\$ 132,588	37.2%	\$ 129,898	37.5%
Municipal Utilities	64,509	18.1	62,713	18.1
Tax-Backed	47,162	13.2	46,118	13.3
Transportation	34,478	9.7	32,507	9.4
General Obligation - lease	29,470	8.3	27,621	8.0
Higher Education	19,836	5.6	19,438	5.6
Military Housing	7,958	2.3	7,948	2.3
Health Care	7,864	2.2	7,616	2.2
Investor Owned Utilities ⁽²⁾	5,408	1.5	5,245	1.5
Municipal Housing	4,765	1.3	4,740	1.4
Student Loans	825	0.2	818	0.3
Other ⁽³⁾	1,386	0.4	1,370	0.4
Total	\$ 356,249	100.0%	\$ 346,032	100.0%



(1) Net of refunded issues and reinsurance; includes \$8.2 billion of reinsurance ceded by FGIC to third parties.

(2) Includes Investor-Owned Utilities, Industrial Development and Pollution Control Revenue bonds.

(3) Includes certain non-profit enterprises and stadium related financings.

U.S. Public Finance Insurance
(National Public Finance Guarantee Corporation)
Insured Portfolio Profile
Par Value by Geography
(dollars in millions)

Outstanding as of September 30, 2012 ⁽¹⁾					
		Gross			Net
		Amount	%	Amount	%
<u>United States</u>					
California	\$	65,280	18.3%	\$	63,195 18.3%
New York		34,495	9.7		33,111 9.6
Florida		26,602	7.5		25,917 7.5
Texas		22,376	6.3		21,943 6.3
Illinois		18,070	5.1		17,441 5.0
New Jersey		16,551	4.6		16,303 4.7
Michigan		11,791	3.3		11,241 3.2
Washington		11,296	3.2		11,165 3.2
Pennsylvania		10,186	2.8		9,936 2.9
Massachusetts		8,312	2.3		7,819 2.3
Subtotal		224,959	63.1		218,071 63.0
Other States & Territories		127,835	35.9		124,515 36.0
Nationally Diversified		3,455	1.0		3,446 1.0
Total		\$ 356,249	100.0%		\$ 346,032 100.0%

⁽¹⁾ Net of refunded issues and reinsurance; includes \$8.2 billion of reinsurance ceded by FGIC to third parties.

U.S. Public Finance Insurance
(National Public Finance Guarantee Corporation)
Insured Portfolio - 50 Largest Credits
Gross Par Outstanding as of September 30, 2012
(dollars in millions)

	Obligor Name	State	Internal Rating ⁽¹⁾	Gross Par Outstanding
1	California General Obligation	CA	a3	\$ 3,882
2	New Jersey Transportation Trust Fund Authority	NJ	aa3	\$ 2,424
3	Massachusetts General Obligation	MA	a1	\$ 2,398
4	MTA Commuter & Transit Transportation Revenue	NY	a2	\$ 2,307
5	Miami-Dade County Airport	FL	a3	\$ 1,961
6	Connecticut General Obligation	CT	a3	\$ 1,900
7	City of Houston Combined Utility System Revenue Bonds	TX	a3	\$ 1,861
8	The Port Authority of New York and New Jersey	NY	a1	\$ 1,835
9	Wisconsin General Obligation	WI	aa2	\$ 1,816
10	Long Island Power Authority Electric	NY	a3	\$ 1,778
11	Puerto Rico Electric Power Authority	PR	bbb1	\$ 1,589
12	New Jersey Economic Development Authority State Pension Obligation Lease	NJ	aa2	\$ 1,579
13	Puerto Rico General Obligation	PR	bbb3	\$ 1,529
14	State of Washington General Obligation	WA	aa2	\$ 1,503
15	Chicago General Obligation	IL	a2	\$ 1,502
16	New York City General Obligation	NY	aa3	\$ 1,490
17	City of Chicago Board of Education	IL	a2	\$ 1,471
18	Oregon School Boards Association General Obligation	OR	aa3	\$ 1,466
19	New York State Local Government Assistance Corporation	NY	a2	\$ 1,433
20	Chicago O'Hare General Airport	IL	a2	\$ 1,426
21	Army Hawaii Family Housing	HI	aa2	\$ 1,348
22	Los Angeles Unified School District General Obligation	CA	aa3	\$ 1,292
23	Clark County School District General Obligation	NV	aa3	\$ 1,251
24	Pennsylvania General Obligation	PA	aa2	\$ 1,231
25	Illinois General Obligation	IL	a3	\$ 1,219
26	California State Public Works Board Lease	CA	bbb3	\$ 1,209
27	City of Detroit Sewage Disposal System	MI	a2	\$ 1,208
28	Illinois Regional Transportation Authority	IL	aa2	\$ 1,183
29	New York State Lease	NY	aa3	\$ 1,181
30	Triboro Bridge & Tunnel Authority	NY	a1	\$ 1,149
31	Metropolitan Washington Airports Authority	DC	aa3	\$ 1,140
32	New York State Thruway Authority Dedicated Highway & Bridge Trust	NY	aa3	\$ 1,132
33	Atlanta City Water & Sewer	GA	a3	\$ 1,110
34	Michigan State Building Authority Lease	MI	a1	\$ 1,106
35	Florida State General Obligation	FL	aa2	\$ 1,104
36	Camp Pendleton Quantico Housing Privatization	CA	aa2	\$ 1,101
37	Detroit City Water System	MI	a2	\$ 1,084
38	New York City Transitional Finance Authority State Bld Aid Appropriation	NY	aa3	\$ 1,080
39	New York State Dormitory State Personal Income Tax	NY	aa2	\$ 1,059
40	South Carolina Public Service Authority Santee Cooper Public Power	SC	aa2	\$ 1,053
41	New York City Water	NY	aa2	\$ 1,045
42	New York City Transitional Finance Authority Sales Tax	NY	aa2	\$ 1,042
43	State of California Economic Recovery Bonds	CA	a3	\$ 1,038
44	San Diego Family Housing Privatization Military	CA	aa1	\$ 1,021
45	Oakland Port and Airport Revenue	CA	a1	\$ 1,007
46	Dallas-Fort Worth International Airport	TX	a1	\$ 1,003
47	Great River Energy Public Power	MN	a3	\$ 992
48	New York State Thruway Authority	NY	a2	\$ 987
49	Georgia Municipal Electric Authority	GA	a2	\$ 971
50	Honolulu City and County General Obligation	HI	aa3	\$ 968
		Total		\$ 70,464
		Total Portfolio Exposure		\$ 356,249
		50 Largest Credits Gross Par Outstanding as % of Total Portfolio		19.8%

⁽¹⁾ Internal credit ratings are provided solely to indicate the underlying credit quality of guaranteed obligations based on the view of National Public Finance Guarantee Corporation. They are subject to revision at any time and do not constitute investment advice. National Public Finance Guarantee Corporation ratings symbology has a one-to-one correspondence to the ratings symbologies used by S&P and Moody's (e.g. aa3 = AA- = Aa3, bbb2 = BBB = Baa2, etc.).

U.S. Public Finance Insurance
(National Public Finance Guarantee Corporation)
Credit Quality Distribution ⁽¹⁾
as of September 30, 2012
(dollars in millions)

	Gross Par Outstanding	
	Amount	%
Public Finance		
AAA	\$ 18,649	5.2%
AA	162,636	45.7%
A	138,224	38.8%
BBB	34,046	9.6%
<BBB	2,694	0.7%
Total	\$ 356,249	100.0%

⁽¹⁾ Ratings as of the end of the period, as last provided by the rating agencies, which may be out-of-date. Ratings are derived using the S&P Priority Method; where S&P's underlying rating is used, when available, Moody's underlying rating is used if the S&P underlying rating is not available and an internal underlying rating is used if neither S&P's nor Moody's underlying ratings are available. For credits where National has insured a credit that was already insured by another bond insurer, the underlying rating used is the higher of the underlying rating of the uninsured credit or the bond insurer's credit rating.

Top 10 Below Investment Grade (BIG) Credits ⁽¹⁾
(dollars in millions)

Obligor Name	Below Investment Grade (BIG) Exposure (Gross)
1 San Joaquin Hills Transportation Corridor Agency Toll Road	\$ 594
2 Harris County-Houston Sports Authority	408
3 AHERF Delaware Valley Obligated Group	136
4 Capital Projects Fin Auth FL Universities Student Hsg 2000F-1	128
5 Basketball Properties Ltd Miami Heat	118
6 Detroit City GO	101
7 Jefferson County GO	92
8 Contra Costa County PFA Multiple Proj Areas	79
9 Citrus Valley Health Partners, Inc.	69
10 Vallejo City Unified SD GO	66
	\$ 1,791
Total BIG Gross Par Exposure	\$ 2,694
Total National Gross Par Outstanding	\$ 356,249
Top 10 BIG Gross Par Exposure as % of National Gross Par Outstanding	0.5%
Total BIG Gross Par Exposure as % of National Gross Par Outstanding	0.7%
Total BIG Gross Par Exposure as % of National Gross Par Outstanding by National ratings	0.6%

⁽¹⁾ Ratings as of the end of the period, as last provided by the rating agencies, which may be out-of-date. Ratings are derived using the S&P Priority Method; where S&P's underlying rating is used, when available, Moody's underlying rating is used if the S&P underlying rating is not available and an internal underlying rating is used if neither S&P's nor Moody's underlying ratings are available. For credits where National has insured a credit that was already insured by another bond insurer, the underlying rating used is the higher of the underlying rating of the uninsured credit or the bond insurer's credit rating.

Structured Finance and International Insurance Segment
(primarily MBIA Insurance Corporation and Subsidiaries)

Structured Finance and International Insurance
(primarily MBIA Insurance Corporation and Subsidiaries)

Net Premiums Earned ⁽¹⁾

(dollars in thousands)

2012	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-Date
Non-United States Public Finance					
Financial Guarantee	\$ 22,591	\$ 38,951	\$ 21,208		\$ 82,750
VIE Eliminations	-	-	-		-
Net Premiums Earned	22,591	38,951	21,208		82,750
Insured Derivatives	106	186	181		473
VIE Eliminations	-	-	-		-
Sub-total	106	186	181		473
Total	22,697	39,137	21,389		83,223
Global Structured Finance					
Financial Guarantee	29,541	21,851	20,627		72,019
VIE Eliminations	5,584	1,925	3,669		11,178
Net Premiums Earned	23,957	19,926	16,958		60,841
Insured Derivatives	15,207	14,294	11,552		41,053
VIE Eliminations	-	-	-		-
Sub-total	15,207	14,294	11,552		41,053
Total	39,164	34,220	28,510		101,894
Summary					
Financial Guarantee	52,132	60,802	41,835		154,769
VIE Eliminations	5,584	1,925	3,669		11,178
Net Premiums Earned ⁽²⁾	46,548	58,877	38,166		143,591
Financial Guarantee VIE Premiums	5,584	1,925	3,669		11,178
Insured Derivatives ⁽³⁾	15,313	14,480	11,733		41,526
Insured Derivatives VIE Premiums ⁽³⁾	-	-	-		-
Total ⁽⁴⁾	\$ 67,445	\$ 75,282	\$ 53,568		\$ 196,295

2011	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Non-United States Public Finance					
Financial Guarantee	\$ 32,775	\$ 31,356	\$ 22,795	\$ 23,011	\$ 109,937
VIE Eliminations	-	-	-	-	-
Net Premiums Earned	32,775	31,356	22,795	23,011	109,937
Insured Derivatives	231	256	106	124	717
VIE Eliminations	-	-	-	-	-
Sub-total	231	256	106	124	717
Total	33,006	31,612	22,901	23,135	110,654
Global Structured Finance					
Financial Guarantee	39,138	35,684	32,244	29,825	136,891
VIE Eliminations	4,691	4,072	3,870	3,876	16,509
Net Premiums Earned	34,447	31,612	28,374	25,949	120,382
Insured Derivatives	31,572	25,152	23,256	21,368	101,348
VIE Eliminations	224	226	232	-	682
Sub-total	31,348	24,926	23,024	21,368	100,666
Total	65,795	56,538	51,398	47,317	221,048
Summary					
Financial Guarantee	71,913	67,040	55,039	52,836	246,828
VIE Eliminations	4,691	4,072	3,870	3,876	16,509
Net Premiums Earned ⁽²⁾	67,222	62,968	51,169	48,960	230,319
Financial Guarantee VIE Premiums	4,691	4,072	3,870	3,876	16,509
Insured Derivatives ⁽³⁾	31,579	25,182	23,130	21,492	101,383
Insured Derivatives VIE Premiums ⁽³⁾	224	226	232	-	682
Total ⁽⁴⁾	\$ 103,716	\$ 92,448	\$ 78,401	\$ 74,328	\$ 348,893

(1) Premiums earned differ from amounts reported for MBIA Insurance Corporation due to U.S. public finance policies that were subsequently determined to have refunded prior to the reinsurance agreement with National Public Finance Guarantee Corporation that became effective on 1/1/09. The premiums associated with those refunded issues were returned to MBIA Insurance Corporation.

(2) Reported as "Total premiums earned" in the Structured Finance and International segment of the income statement.

(3) Reported within "Realized gains (losses) and other settlements on insured derivatives" in the Structured Finance and International segment of the income statement.

(4) Total management premiums earned not consistent with GAAP accounting standards; equivalent of total premiums earned on all insurance contracts regardless of GAAP premium earnings.

Structured Finance and International Insurance
(primarily MBIA Insurance Corporation and Subsidiaries)
Amortization of Gross Par, Gross Debt Service and Net Unearned Premium
(dollars in millions)

	Ending Gross Par Outstanding	Ending Gross Debt Service Outstanding	Unearned Premiums	Expected Future Premium Earnings ⁽¹⁾⁽²⁾			
				Upfront	Installments	Accretion	Total
3rd Qtr. 2012	\$ 116,355	\$ 153,574	\$ 1,171				
4th Qtr. 2012	113,523	149,801	1,138	6	27	5	38
2013	104,646	137,212	1,014	21	103	21	145
2014	96,787	126,012	904	20	90	19	129
2015	80,908	106,914	803	18	83	18	119
2016	70,020	93,075	711	16	76	16	108
2017-2021	28,934	42,007	373	60	278	60	398
2022-2026	17,909	25,297	177	29	167	33	229
2027 and thereafter	-	-	-	40	137	23	200
Total				\$ 210	\$ 961	\$ 195	\$ 1,366

⁽¹⁾ Excludes premiums collected on insured credit derivatives and consolidated insured VIEs.

⁽²⁾ Actual future premium earnings will differ from the current projection due to the addition of new business, changes in prepayment speeds, settlements and terminations.

Net Collected and Expected Cash Receipts ⁽¹⁾
(dollars in millions)

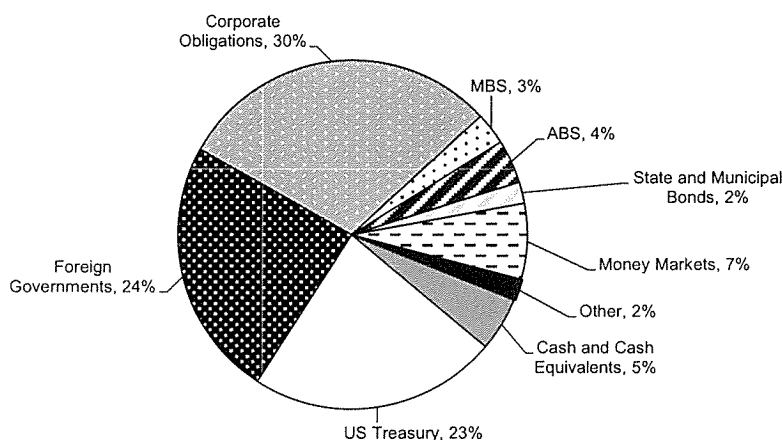
	Financial	Insured	Insured	Total
	Guarantee	Credit Derivatives	Consolidated VIEs	
3rd Qtr. 2012	\$ 33	\$ 12	\$ 19	\$ 64
4th Qtr. 2012	28	11	4	43
2013	117	43	17	177
2014	102	40	16	158
2015	95	35	15	145
2016	88	25	14	127
2017-2021	323	33	56	412
2022-2026	208	11	31	250
2027 and thereafter	177	34	50	261
Total	\$ 1,171	\$ 244	\$ 222	\$ 1,637

⁽¹⁾ Represents installment-based future net, undiscounted collections.

Structured Finance and International Insurance
(primarily MBIA Insurance Corporation and Subsidiaries)
Investment Portfolio Including Cash and Cash Equivalents
As of September 30, 2012
(dollars in thousands)

<u>Investments</u>	<u>Market Value</u>	<u>% of Market Value</u>	<u>Amortized Cost</u>	<u>Book Yield</u>
Fixed-Maturity Securities:				
Tax Exempt	\$ -	-%	\$ -	- %
Taxable	668,988	51	639,621	2.88
Short-Term	636,026	49	632,670	0.63
Total Fixed-Maturity	1,305,014	100%	\$ 1,272,291	1.76%
Cash and Cash Equivalents	74,707			
Total Fixed Income Including Cash and Cash Equivalents	1,379,721			
Other	29,738			
Total	\$ 1,409,459			

Total Investment Portfolio
Including Cash and Cash Equivalents
Market Value Outstanding \$1,409,459



Effective Maturity Profile

	<u>Market Value</u>	<u>% of Market Value</u>
Cash and Cash Equivalents	\$ 74,707	5.4%
Within 1 Year	636,026	46.1%
1 to 5 Years	465,223	33.7%
5 to 10 Years	117,019	8.5%
10 to 15 Years	27,059	2.0%
15 to 20 Years	17,790	1.3%
More than 20 Years	41,897	3.0%
Total Fixed Income Including Cash and Cash Equivalents	1,379,721	100.0%

Quality Distribution of
Long-Term Fixed-Maturity Securities
Market Value Outstanding \$668,988

<u>Rating</u>	<u>% of Market Value</u>
Aaa	80%
Aa	4
A	2
Baa	2
BIG	7
NR	5
	<u>100%</u>

Long-Term average maturity: 4.96 years
Duration: 1.30 years

MBIA Insurance Corporation and Subsidiaries
Insured Portfolio Losses
(dollars in millions)

2012	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
Loss and Loss Adjustment Expense (LAE) Reserves and Insurance Loss Recoverable					
Beginning Gross Loss and LAE Reserves	\$ 836	\$ 859	\$ 828		\$ 836
Beginning Gross Insurance Loss Recoverable	(3,046)	(3,137)	(3,212)		(3,046)
Beginning Gross Reserves	(2,210)	(2,278)	(2,384)		(2,210)
Ceded Reserves (affiliated)	(12)	(5)	12		(12)
Ceded Reserves (unaffiliated)	(2)	(3)	(1)		(2)
Beginning Net Reserves	(2,224)	(2,286)	(2,373)		(2,224)
Change in Actual and Expected Payments	125	86	185		396
Change in Actual and Expected Salvage	(42)	(21)	(18)		(81)
Net (Payments), Collections and Other ⁽¹⁾	(145)	(152)	(98)		(395)
Net Loss and LAE Reserves	(2,286)	(2,373)	(2,304)		(2,304)
Ceded Reserves (affiliated)	5	(12)	(75)		(75)
Ceded Reserves (unaffiliated)	3	1	1		1
Gross Reserves	(2,278)	(2,384)	(2,378)		(2,378)
Gross Loss and LAE Reserves	859	828	938		938
Gross Insurance Loss Recoverable	\$ (3,137)	\$ (3,212)	\$ (3,316)		\$ (3,316)

Financial Guarantee Consolidated Insured Variable Interest Entities (VIEs) Credit Impairments ⁽²⁾					
Beginning Gross VIE Impairments Reserves	\$ 353	\$ 336	\$ 303		\$ 353
Beginning Gross VIE Salvage Reserves	(1,365)	(1,359)	(1,290)		(1,365)
Beginning Gross Reserves	(1,012)	(1,023)	(987)		(1,012)
Change in Actual and Expected Payments ⁽³⁾	18	38	11		67
Change in Actual and Expected Salvage ⁽³⁾	18	43	7		68
Gross (Payments), Collections and Other ⁽¹⁾	(47)	(45)	(52)		(144)
Gross Reserves	(1,023)	(987)	(1,021)		(1,021)
Gross VIE Impairments Reserves	336	303	295		295
Gross VIE Salvage Reserves	\$ (1,359)	\$ (1,290)	\$ (1,316)		\$ (1,316)

Insured Credit Derivative Credit Impairments and LAE ⁽⁴⁾⁽⁵⁾					
Beginning Gross Derivatives Impairments and LAE Reserves	\$ 1,103	\$ 1,361	\$ 1,077		\$ 1,103
Beginning Gross Derivatives Salvage Reserves	(70)	(67)	(67)		(70)
Beginning Gross Reserves	1,033	1,294	1,010		1,033
Ceded Reserves (unaffiliated)	1	1	1		1
Beginning Net Reserves	1,034	1,295	1,011		1,034
Change in Actual and Expected Payments ⁽²⁾	268	160	64		492
Change in Actual and Expected Salvage ⁽²⁾	13	0	2		15
LAE on Insured Credit Derivatives	2	0	1		3
Net (Payments), Collections and Other ⁽¹⁾	(22)	(444)	21		(445)
Net Reserves	1,295	1,011	1,099		1,099
Ceded Reserves (unaffiliated)	(1)	(1)	(1)		(1)
Gross Reserves	1,294	1,010	1,098		1,098
Gross Derivatives Impairments and LAE Reserves	1,361	1,077	1,142		1,142
Gross Derivatives Salvage Reserves	\$ (67)	\$ (67)	\$ (44)		\$ (44)

⁽¹⁾ Amounts are included in change in actual and expected payments and salvage and also in LAE on Insured Credit Derivatives.

⁽²⁾ Includes consolidated insured Variable Interest Entities (VIEs) which are eliminated in consolidation under GAAP accounting standards and excludes LAE.

⁽³⁾ Represents estimated Credit Impairments on Variable Interest Entities (VIEs) which are representative of the Company's loss estimates for the credits notwithstanding GAAP accounting standards.

⁽⁴⁾ Insured credit derivative impairments and LAE are calculated based on Statutory accounting methodology.

⁽⁵⁾ Includes consolidated insured Variable Interest Entities (VIEs) for insurance contracts executed via credit default swaps.

MBIA Insurance Corporation and Subsidiaries
Insured Portfolio Losses
(dollars in millions)

2011	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Loss and Loss Adjustment Expense (LAE) Reserves and Insurance Loss Recoverable					
Beginning Gross Loss and LAE Reserves	\$ 1,129	\$ 1,010	\$ 865	\$ 932	\$ 1,129
Beginning Gross Insurance Loss Recoverable	(2,531)	(2,638)	(2,658)	(2,770)	(2,531)
Beginning Gross Reserves	(1,402)	(1,628)	(1,793)	(1,838)	(1,402)
Ceded Reserves (affiliated)	(144)	(124)	(94)	(5)	(144)
Ceded Reserves (unaffiliated)	(11)	(11)	(8)	(39)	(11)
Beginning Net Reserves	(1,557)	(1,763)	(1,895)	(1,882)	(1,557)
Change in Actual and Expected Payments	(21)	115	238	(21)	311
Change in Actual and Expected Salvage	(18)	(56)	(58)	(263)	(395)
Net (Payments), Collections and Other ⁽¹⁾	(167)	(191)	(167)	(58)	(583)
Net Loss and LAE Reserves	(1,763)	(1,895)	(1,882)	(2,224)	(2,224)
Ceded Reserves (affiliated)	124	94	39	12	12
Ceded Reserves (unaffiliated)	11	8	5	2	2
Gross Reserves	(1,628)	(1,793)	(1,838)	(2,210)	(2,210)
Gross Loss and LAE Reserves	1,010	865	932	836	836
Gross Insurance Loss Recoverable	\$ (2,638)	\$ (2,658)	\$ (2,770)	\$ (3,046)	\$ (3,046)

Financial Guarantee Consolidated Insured Variable Interest Entities (VIEs) Credit Impairments ⁽²⁾					
Beginning Gross VIE Impairments Reserves	\$ 377	\$ 344	\$ 352	\$ 370	\$ 377
Beginning Gross VIE Salvage Reserves	(1,061)	(1,098)	(1,159)	(1,194)	(1,061)
Beginning Gross Reserves	(684)	(754)	(807)	(824)	(684)
Change in Actual and Expected Payments ⁽³⁾	54	66	90	51	261
Change in Actual and Expected Salvage ⁽³⁾	(53)	(56)	(55)	(187)	(351)
Gross (Payments), Collections and Other ⁽¹⁾	(71)	(63)	(52)	(52)	(238)
Gross Reserves	(754)	(807)	(824)	(1,012)	(1,012)
Gross VIE Impairments Reserves	344	352	370	353	353
Gross VIE Salvage Reserves	\$ (1,098)	\$ (1,159)	\$ (1,194)	\$ (1,365)	\$ (1,365)

Insured Credit Derivative Credit Impairments and LAE ⁽⁴⁾⁽⁵⁾					
Beginning Gross Derivatives Impairments and LAE Reserves	\$ 2,490	\$ 2,280	\$ 2,047	\$ 2,166	\$ 2,490
Beginning Gross Derivatives Salvage Reserves	(74)	(75)	(66)	(66)	(74)
Beginning Gross Reserves	2,416	2,205	1,981	2,100	2,416
Ceded Reserves (unaffiliated)	0	0	0	1	0
Beginning Net Reserves	2,416	2,205	1,981	2,101	2,416
Change in Actual and Expected Payments ⁽²⁾	192	(292)	412	714	1,026
Change in Actual and Expected Salvage ⁽²⁾	(14)	73	10	13	82
LAE on Insured Credit Derivatives	6	0	(6)	2	2
Net (Payments), Collections and Other ⁽¹⁾	(395)	(5)	(296)	(1,796)	(2,492)
Net Reserves	2,205	1,981	2,101	1,034	1,034
Ceded Reserves (unaffiliated)	0	0	(1)	(1)	(1)
Gross Reserves	2,205	1,981	2,100	1,033	1,033
Gross Derivatives Impairments and LAE Reserves	2,280	2,047	2,166	1,103	1,103
Gross Derivatives Salvage Reserves	\$ (75)	\$ (66)	\$ (66)	\$ (70)	\$ (70)

⁽¹⁾ Amounts are included in change in actual and expected payments and salvage and also in LAE on Insured Credit Derivatives.

⁽²⁾ Includes consolidated insured Variable Interest Entities (VIEs) which are eliminated in consolidation under GAAP accounting standards and excludes LAE.

⁽³⁾ Represents estimated Credit Impairments on Variable Interest Entities (VIEs) which are representative of the Company's loss estimates for the credits notwithstanding GAAP accounting standards.

⁽⁴⁾ Insured credit derivative impairments and LAE are calculated based on Statutory accounting methodology.

⁽⁵⁾ Includes consolidated insured Variable Interest Entities (VIEs) for insurance contracts executed via credit default swaps.

MBIA Insurance Corporation and Subsidiaries
Net Change in Unrealized Gains or Losses on Insured Derivatives
(dollars in millions)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
2012					
Structure Specific Factors	\$ 1,575	\$ 1,294	\$ (151)		\$ 2,718
Non-performance Factor	<u>(1,272)</u>	<u>(91)</u>	<u>118</u>		<u>(1,245)</u>
Change in Fair Value (pre-tax)	<u>\$ 303</u>	<u>\$ 1,203</u>	<u>\$ (33)</u>		<u>\$ 1,473</u>
2011 ⁽¹⁾					
Structure Specific Factors	\$ 1,498	\$ 1,186	\$ (1,316)	\$ 4,760	\$ 6,128
Non-performance Factor	<u>(3,093)</u>	<u>(1,098)</u>	<u>2,148</u>	<u>(4,399)</u>	<u>(6,442)</u>
Change in Fair Value (pre-tax)	<u>\$ (1,595)</u>	<u>\$ 88</u>	<u>\$ 832</u>	<u>\$ 361</u>	<u>\$ (314)</u>
2010 ⁽¹⁾					
Structure Specific Factors	\$ 185	\$ (98)	\$ (2,963) ⁽³⁾	\$ 4,865	\$ 1,989
Non-performance Factor	<u>(2,446) ⁽²⁾</u>	<u>1,648 ⁽²⁾</u>	<u>1,905 ⁽³⁾</u>	<u>(3,796)</u>	<u>(2,689)</u>
Change in Fair Value (pre-tax)	<u>\$ (2,261)</u>	<u>\$ 1,550</u>	<u>\$ (1,058)</u>	<u>\$ 1,069</u>	<u>\$ (700)</u>
2009					
Structure Specific Factors	\$ (2,592)	\$ 3,557	\$ (2,743)	\$ 1,564	\$ (214)
Non-performance Factor ⁽²⁾	<u>4,201</u>	<u>(3,133)</u>	<u>1,933</u>	<u>(1,111)</u>	<u>1,890</u>
Change in Fair Value (pre-tax)	<u>\$ 1,609</u>	<u>\$ 424</u>	<u>\$ (810)</u>	<u>\$ 453</u>	<u>\$ 1,676</u>
2008					
Structure Specific Factors	\$ (6,628)	\$ (59)	\$ (538)	\$ (7,498)	\$ (14,723)
Non-performance Factor ⁽²⁾	<u>3,051</u>	<u>3,383</u>	<u>643</u>	<u>5,823</u>	<u>12,900</u>
Change in Fair Value (pre-tax)	<u>\$ (3,577)</u>	<u>\$ 3,324</u>	<u>\$ 105</u>	<u>\$ (1,675)</u>	<u>\$ (1,823)</u>

⁽¹⁾ Excludes intercompany eliminations with MBIA Inc.

⁽²⁾ Includes take-back of unrealized losses ceded to Channel Re based on Channel Re's claims paying ability.

⁽³⁾ Includes take-back of unrealized losses ceded to Channel Re resulting from the commutation.

MBIA Insurance Corporation (excluding Subsidiaries)

Liquidity Position ⁽¹⁾

(dollars in millions)

2012	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
Beginning Cash & Cash Equivalents ⁽²⁾:	\$ 113	\$ 219	\$ 67		\$ 113
Premiums and Fees	50	85	58		193
Net Investment Income	6	6	4		16
Other	14	27	35		76
Total Inflows	70	118	97		285
Gross Loss & LAE Payments	212	651	162		1,025
Operating & Other Expenses	38	22	27		87
Interest Expense	67	-	67		134
Total Outflows	317	673	256		1,246
Operating Cash Flow	(247)	(555)	(159)		(961)
Financing Activities	-	443	-		443
Investing Activities	353	(40)	148		461
Net Cash Flow	106	(152)	(11)		(57)
Ending Cash & Cash Equivalents ⁽²⁾:	\$ 219	\$ 67	\$ 56		\$ 56
Other Liquid Assets ⁽³⁾	110	467	330		330
Ending Liquidity Position	\$ 329	\$ 534	\$ 386		\$ 386

2011	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Beginning Cash & Cash Equivalents ⁽²⁾:	\$ 454	\$ 41	\$ 431	\$ 346	\$ 454
Premiums and Fees	69	77	57	185	388
Net Investment Income	18	14	12	9	53
Other	20	19	24	33	96
Total Inflows	107	110	93	227	537
Gross Loss & LAE Payments	637	280	525	1,911	3,353
Operating & Other Expenses	28	28	28	39	123
Interest Expense	67	-	67	-	134
Total Outflows	732	308	620	1,950	3,610
Operating Cash Flow	(625)	(198)	(527)	(1,723)	(3,073)
Financing Activities	-	-	-	1,130	1,130
Investing Activities	212	588	442	360	1,602
Net Cash Flow	(413)	390	(85)	(233)	(341)
Ending Cash & Cash Equivalents ⁽²⁾:	\$ 41	\$ 431	\$ 346	\$ 113	\$ 113
Other Liquid Assets ⁽³⁾	885	704	478	421	421
Ending Liquidity Position	\$ 926	\$ 1,135	\$ 824	\$ 534	\$ 534

(1) Presented on a direct cash flow basis for transactions settled within the reporting periods. Ending Liquidity Position excludes short-term assets of branches and subsidiaries, which are not readily available to MBIA Insurance Corp.

(2) Reported for NY operations of MBIA Corp; will not agree with MBIA Corp. Consolidated GAAP financial results which include cash & cash equivalents of consolidated VIE's and foreign subsidiaries and branches.

(3) Includes other assets with expected maturities of less than 12 months deemed to be liquid but not included in cash and cash equivalents.

MBIA Insurance Corporation
Statutory Balance Sheets Summary
(dollars in millions)

	9/30/2012	12/31/2011
Assets:		
Cash and Investments ⁽¹⁾	\$ 1,131	\$ 1,294
Secured Loan to MBIA Inc.	-	300
Other Assets	14	18
Total Assets	\$ 1,145	\$ 1,612
Liabilities:		
Unearned Premiums	433	435
Loss and LAE Reserves ⁽²⁾	(2,527)	(2,334)
Contingency Reserve	493	706
Secured Loan from National	1,651	1,134
Other Liabilities	77	74
Total Liabilities	127	15
Total Policyholders' Surplus	1,018	1,597
Total Liabilities and Policyholders' Surplus	\$ 1,145	\$ 1,612

Summary of Statutory Loss and LAE Reserves (excluding Subsidiaries)
(dollars in millions)

	As of 9/30/2012		
	Case	Salvage	Net
Second-Lien Mortgage	\$ 321	\$ (4,212)	\$ (3,891)
Other	1,529	(165)	1,364
Total	\$ 1,850	\$ (4,377)	\$ (2,527)

MBIA Insurance Corporation and Subsidiaries
Claims-Paying Resources
(dollars in millions)

	9/30/2012	12/31/2011
Balance Sheet		
Policyholders' Surplus	\$ 1,018	\$ 1,597
Contingency Reserve	493	706
Statutory Capital	1,511	2,303
Unearned Premium Reserve	609	607
Present Value of Installment Premiums ⁽²⁾	1,092	1,226
Premium Resources ⁽³⁾	1,701	1,833
Net Loss and LAE Reserves ⁽²⁾	(2,450)	(2,266)
Salvage Reserves	4,378	4,249
Gross Loss and LAE Reserves	1,928	1,983
Total Claims-Paying Resources	\$ 5,140	\$ 6,119
Net Debt Service Outstanding	\$ 151,000	\$ 180,805
Capital Ratio	100:1	79:1
Claims-Paying Resources Ratio	33:1	33:1

⁽¹⁾ Includes equity investments in subsidiaries of \$493 million and \$466 million at September 30, 2012 and December 31, 2011, respectively.

⁽²⁾ At September 30, 2012 and December 31, 2011, the discount rate was 5.59%.

Structured Finance and International Insurance
(primarily MBIA Insurance Corporation and Subsidiaries)

Insured Portfolio Profile
Par Value by Bond Type

(dollars in millions)

Outstanding as of September 30, 2012 ⁽¹⁾⁽²⁾

	Gross Amount	%	Net Amount	%
Public Finance: Non-United States				
Sovereign and Sub-Sovereign ⁽³⁾	\$ 11,464	9.8%	\$ 11,165	9.7%
International Utilities	9,769	8.4	9,635	8.4
Transportation	10,592	9.1	10,153	8.9
Local Governments ⁽⁴⁾	330	0.3	327	0.3
Tax-Backed	80	0.1	80	0.1
Health Care	41	-	41	-
Total Non-United States Public Finance	<u>32,276</u>	<u>27.7</u>	<u>31,401</u>	<u>27.4</u>
Structured Finance - Global				
Collateralized Debt Obligations ⁽⁵⁾	53,399	45.9	53,307	46.4
Mortgage Backed Residential	12,607	10.8	12,572	11.0
Mortgage Backed Commercial	2,832	2.4	2,808	2.4
Consumer Asset Backed:				
Auto Loans	183	0.2	183	0.2
Student Loans - Structured Finance	668	0.6	654	0.6
Manufactured Housing	1,308	1.1	1,238	1.1
Other Consumer Asset Backed	77	0.1	77	0.1
Corporate Asset Backed:				
Operating Assets ⁽⁶⁾	5,010	4.3	4,813	4.2
Structured Insurance Securitizations	4,645	4.0	4,637	4.0
Franchise Assets	696	0.6	692	0.6
Future Flow	278	0.2	278	0.2
Other Corporate Asset Backed	2,376	2.1	2,107	1.8
Total Global Structured Finance	<u>84,079</u>	<u>72.3</u>	<u>83,366</u>	<u>72.6</u>
Grand Total ⁽⁷⁾	<u>\$ 116,355</u>	<u>100.0%</u>	<u>\$ 114,767</u>	<u>100.0%</u>

Legend for Net Par Outstanding:

- Non-U.S. Public Finance
- Collateralized Debt Obligations
- Mortgage Backed Residential
- Consumer Asset Backed
- Corporate Asset Backed
- Mortgage Backed Commercial

(1) Net of refunded issues, reinsurance and other contractual agreements.

(2) Excludes \$2.9 billion relating to investment agreements and medium term notes issued by various affiliated companies and guaranteed by MBIA Insurance Corporation.

(3) Includes Regions, Departments or their equivalent in each jurisdiction as well as sovereign owned entities that are supported by a Sovereign State, Region or Department.

(4) Includes municipal-owned entities backed by the sponsoring local government.

(5) Includes transactions (represented by structured pools of primarily investment grade corporate credit risks or commercial real estate assets) that do not include typical CDO structuring characteristics, such as tranching credit risk, cash flow waterfalls, or interest and over-collateralization coverage tests.

(6) Includes \$2.4 billion of Aircraft Portfolio Lease Securitizations, \$2.1 billion of Secured Airline Equipment Securitizations, and \$0.5 billion of Other Operating Assets.

(7) Includes \$643 million of gross insured par for which commutation agreements were reached, but not finalized by September 30, 2012.

Structured Finance and International Insurance
(primarily MBIA Insurance Corporation and Subsidiaries)

Insured Portfolio Profile

Par Value by Geography

(dollars in millions)

	Outstanding as of September 30, 2012 ⁽¹⁾⁽²⁾⁽³⁾			
	Gross Amount	%	Net Amount	%
United States	\$ 60,526	52.0%	\$ 60,104	52.4%
United Kingdom	\$ 15,411	13.2%	\$ 15,171	13.2%
Australia	6,329	5.4	6,309	5.5
Chile	2,844	2.4	2,427	2.1
Germany	2,261	1.9	2,261	2.0
France	1,850	1.6	1,846	1.6
Canada	1,732	1.5	1,727	1.5
Mexico	1,700	1.5	1,534	1.3
Spain	1,065	0.9	1,053	0.9
Portugal	675	0.6	657	0.6
New Zealand	540	0.5	540	0.4
Subtotal	<u>34,407</u>	<u>29.5</u>	<u>33,525</u>	<u>29.1</u>
Other ⁽⁴⁾	2,861	2.5	2,844	2.5
Internationally Diversified	<u>18,561</u>	<u>16.0</u>	<u>18,294</u>	<u>16.0</u>
Total Non-United States	<u>55,829</u>	<u>48.0</u>	<u>54,663</u>	<u>47.6</u>
Total ⁽⁵⁾	<u>\$ 116,355</u>	<u>100.0</u>	<u>\$ 114,767</u>	<u>100.0</u>

⁽¹⁾ Net of refunded issues and reinsurance.

⁽²⁾ Excludes \$2.9 billion relating to investment agreements and medium term notes issued by various affiliated companies and guaranteed by MBIA Insurance Corporation.

⁽³⁾ Includes consolidated insured Variable Interest Entities (VIEs) and insured Credit Derivatives.

⁽⁴⁾ Includes domestic risk denominated in other than U.S. dollars.

⁽⁵⁾ Includes \$643 million of gross insured par for which commutation agreements were reached, but not finalized by September 30, 2012.

Top 10 Below Investment Grade (BIG) Credits ⁽¹⁾

(dollars in millions)

Obligor Name	Below Investment Grade (BIG) Exposure (Gross)
1 Structured CMBS Pool 17	\$2,000
2 Structured CMBS Pool 22	\$1,530
3 Structured CMBS Pool 27	\$1,500
4 Structured CMBS Pool 34	\$1,485
5 Structured CMBS Pool 18	\$1,300
6 MS CDO 13	\$1,100
7 Structured CMBS Pool 26	\$885
8 Sociedad Concessionaria Vespucio Norte Express S.A.	\$757
9 MS CDO 3	\$705
10 CP--Comboios de Portugal, E.P.E.	\$675
Total Top 10 Below Investment Grade GPO	<u>\$ 11,937</u>
Total BIG Gross Par Exposure	\$28,690
Total MBIA Gross Par Outstanding ⁽²⁾	\$116,355
Total BIG Gross Par Exposure as % of MBIA Gross Par Outstanding	10.3%
Total BIG Gross Par Exposure as % of MBIA Gross Par Outstanding	24.7%

⁽¹⁾ MBIA internal ratings are as of the end of the period and determined before giving effect to MBIA's guarantee.

⁽²⁾ Includes \$643 million of gross insured par for which commutation agreements were reached, but not finalized by September 30, 2012.

Structured Finance and International Insurance
(primarily MBIA Insurance Corporation and Subsidiaries)
Top 15 Servicer Exposures for Consumer Asset Backed and Residential Mortgage Backed Securities
Gross Par Outstanding as of September 30, 2012
(dollars in millions)

Servicer Name ⁽¹⁾	Gross Par Outstanding
1 Bank of America Corporation	\$ 5,087
2 Specialized Loan Servicing, LLC	2,069
3 Wells Fargo & Company	1,692
4 Walter Investment Management Corp.	1,488
5 Ally Financial, Inc.	804
6 KeyCorp	494
7 JP Morgan Chase & Co.	442
8 Aurora Bank FSB	377
9 OneWest Bank Group LLC	290
10 Patrimonio, S.A. de C.V., Sociedad Financiera de Objeto Limitado	281
11 Hungarian Mortgage Bank	267
12 Ocwen Financial Corporation	201
13 General Motors Financial Company, Inc.	182
14 Litton Loan Servicing, L.P.	165
15 Private Student Loan Servicer	107
Total	\$ 13,946

⁽¹⁾ Servicer may be an operating subsidiary of the named entity.

Insured Portfolio - 25 Largest Credits
(dollars in millions)

Obligor Name	Country	Internal Rating ⁽¹⁾	Gross Par Outstanding
1 HY CDO 19	USA	aa2	\$ 3,000
2 Southern Cross Airports Corporation Pty Limited	AUS	bbb2	2,976
3 IG CDO 22-Monotranche	GLB	bbb2	2,594
4 IG CDO 29-Monotranche	GLB	bbb3	2,287
5 Southern Water Services (Finance) Limited	GBR	a3	2,095
6 Structured CMBS Pool 17	USA	d	2,000
7 IG CDO 21-Monotranche	GLB	a2	1,917
8 IG CDO 24-Monotranche	GLB	bbb3	1,900
9 Anglian Water Services Financing plc	GBR	a3	1,701
10 IG CDO 20	GLB	aaa	1,646
11 Dwr Cymru (Financing) Limited (Welsh Water)	GBR	a2	1,609
12 IG CDO 31	USA	aa2	1,557
13 Structured CMBS Pool 22	USA	b2	1,530
14 Structured CMBS Pool 27	USA	d	1,500
15 Structured CMBS Pool 34	USA	b2	1,485
16 IG CDO 16-Monotranche	GLB	bbb1	1,409
17 IG CDO 39	GLB	aaa	1,369
18 IG CDO 17-Monotranche	GLB	bbb1	1,359
19 IG CDO 38	USA	aaa	1,352
20 Structured CMBS Pool 18	USA	d	1,300
21 Juturna (European Loan Conduit No.16) plc	GBR	aa3	1,268
22 IG CDO 32-Monotranche	GLB	bbb3	1,267
23 IG CDO 23	USA	aaa	1,200
24 German Multi Family Housing Transaction	DEU	aaa	1,198
25 Aspire Defence (Allenby & Connaught Military Housing PFI)	GBR	bbb2	1,181
Total			\$ 42,700
Total Portfolio Exposure ⁽²⁾			\$ 116,355
25 Largest Credits Gross Par Outstanding as % of Total Portfolio			36.7%

⁽¹⁾ Internal credit ratings are provided solely to indicate the underlying credit quality of guaranteed obligations based on the view of MBIA Insurance Corporation. They are subject to revision at any time and do not constitute investment advice. MBIA Insurance Corporation ratings symbology has a one-to-one correspondence to the ratings symbologies used by S&P and Moody's (e.g. aa3 = AA- = Aa3, bbb2 = BBB = Baa2, etc.).

⁽²⁾ Includes \$643 million of gross insured par for which commutation agreements were reached, but not finalized by September 30, 2012.

Structured Finance and International Insurance
(primarily MBIA Insurance Corporation and Subsidiaries)

CDO Exposure ^{(1) (2)}
As of September 30, 2012
(dollars in billions)

Underlying Ratings ^{(3) (4)}

Total CDO Portfolio		
	<u>Gross Par</u> ⁽⁵⁾	<u>% of Total</u>
AAA	\$ 10.0	19%
AA	11.3	21%
A	3.3	6%
BBB	11.2	21%
BIG	17.6	33%
	<u>\$ 53.4</u>	<u>100%</u>
AA or Better	40%	
A or Better	46%	

Underlying Asset Types - Gross Par Outstanding ⁽⁴⁾

Collateral Type	Total		Financial Guarantee Insurance Policy ⁽⁶⁾		Insured Credit Default Swap ⁽⁷⁾	
	<u>Gross par</u>	<u>% of Total</u>	<u>Gross par</u>	<u>% of Total</u>	<u>Gross par</u>	<u>% of Total</u>
Investment Grade Corporate Pools ⁽¹⁾	\$ 25.4	48%	\$ 0.0	0%	\$ 25.4	55%
High Yield Corporate CDOs	5.7	11%	4.8	62%	0.9	2%
Multi-Sector CDOs	4.3	8%	1.6	20%	2.7	6%
Multi-Sector CDO-Squareds ⁽¹⁾	0.1	0%	-	0%	0.1	0%
Structured CMBS Pools ⁽¹⁾	15.7	29%	0.8	10%	14.9	33%
CRE CDOs	2.2	4%	0.6	8%	1.6	4%
Total ⁽⁵⁾	<u>\$ 53.4</u>	<u>100%</u>	<u>\$ 7.8</u>	<u>100%</u>	<u>\$ 45.6</u>	<u>100%</u>

CDO Exposure by Collateral Type ⁽⁴⁾

Collateral Type	<u>Gross par</u>		<u>Gross par</u>		<u>Change</u>	
	<u>09/30/12</u>	<u>% of Total</u>	<u>12/31/11</u>	<u>% of Total</u>	<u>\$</u>	<u>%</u>
Investment Grade Corporate Pools ⁽¹⁾	\$ 25.4	48%	\$ 32.6	46%	\$ (7.2)	2%
High Yield Corporate CDOs	5.7	11%	6.6	9%	(0.9)	2%
Multi-Sector CDOs	4.3	8%	5.9	9%	(1.6)	-1%
Multi-Sector CDO-Squared ⁽¹⁾	0.1	0%	0.2	0%	(0.1)	0%
Structured CMBS Pools ⁽¹⁾	15.7	29%	19.3	28%	(3.6)	1%
CRE CDOs	2.2	4%	5.6	8%	(3.4)	-4%
Total ⁽⁵⁾	<u>\$ 53.4</u>	<u>100%</u>	<u>\$ 70.2</u>	<u>100%</u>		

(1) Includes transactions represented by structured pools of primarily investment grade corporate credit risks or commercial real estate assets that do not include typical CDO structuring characteristics, such as tranching credit risk, cash flow waterfalls, or interest and over-collateralization coverage tests.

(2) Includes \$3.5 billion of insured consolidated Variable Interest Entity (VIE) obligations.

(3) All ratings are the most current available. Ratings are derived using the most conservative rating from Moody's, S&P or internal.

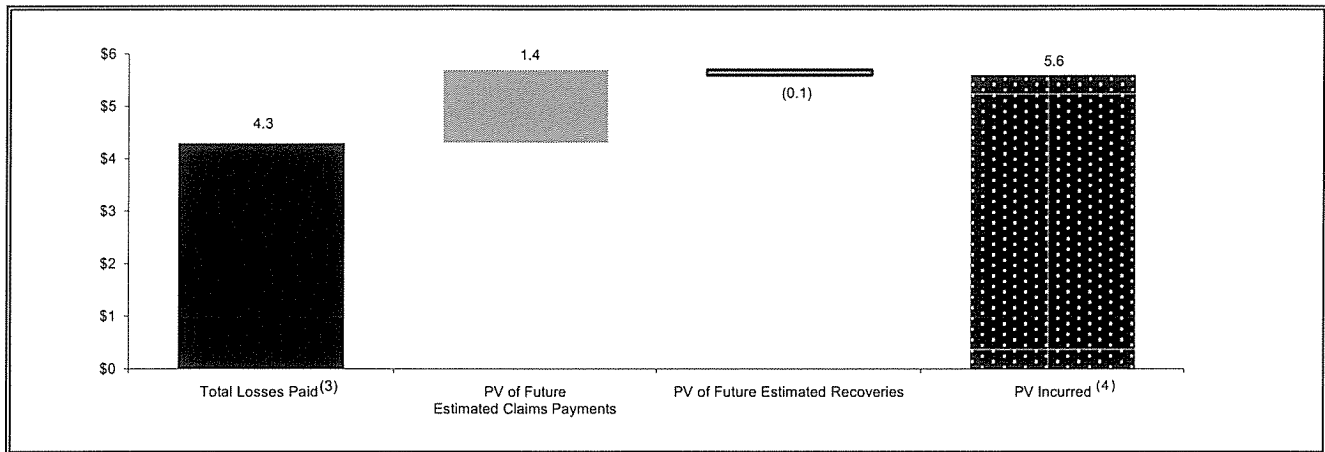
(4) Gross Par Outstanding includes committed insured amounts.

(5) Includes gross insured par for which commutation agreements were reached, but not finalized by September 30, 2012.

(6) 100% managed portfolios.

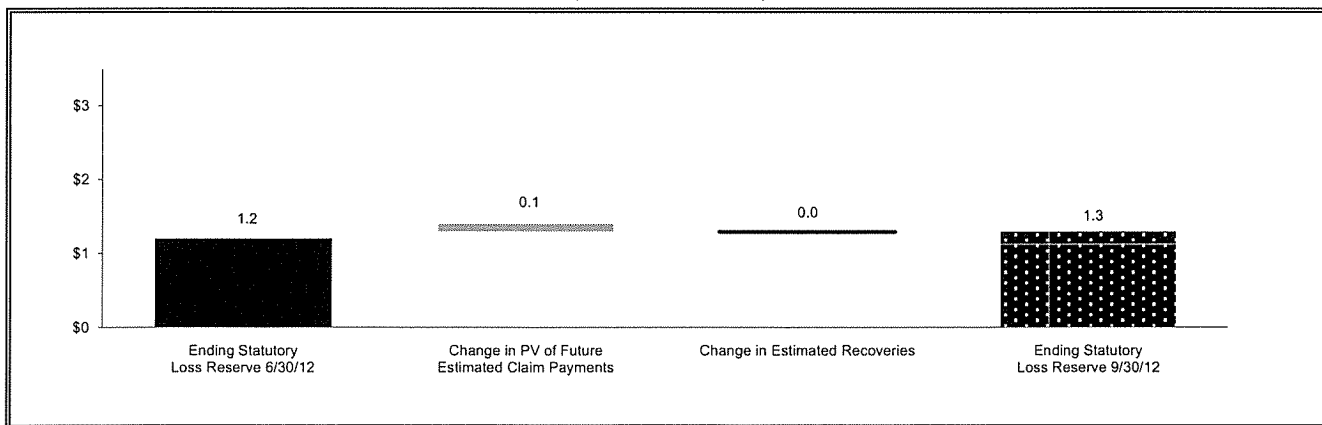
(7) 39% managed portfolios, 61% static portfolios.

MBIA Insurance Corporation and Subsidiaries
CDO Statutory Losses Inception-To-Date ⁽¹⁾⁽²⁾
Beginning September 30, 2007 through September 30, 2012
(dollars in billions)



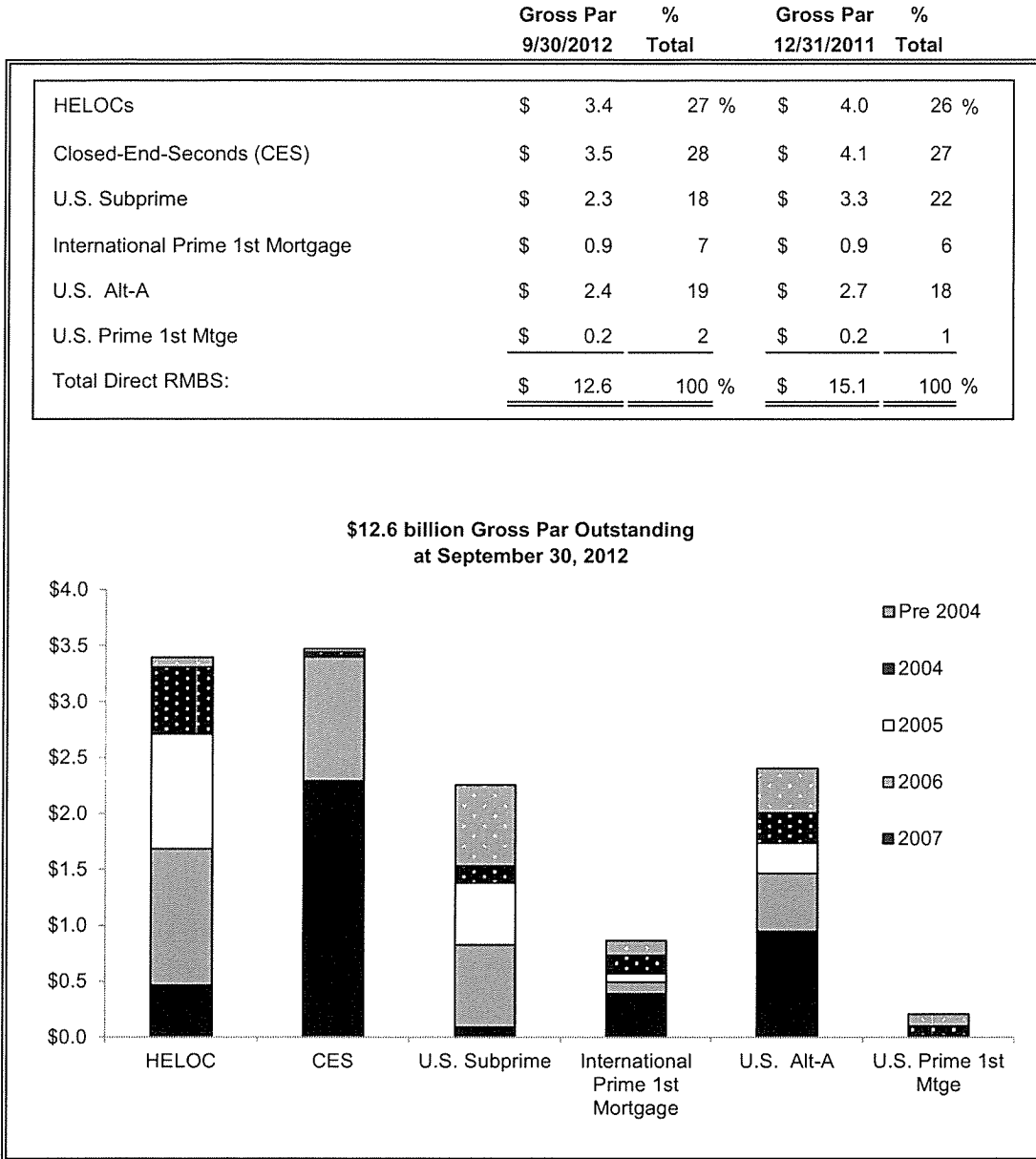
- (1) Totals may not add due to rounding.
- (2) Includes MBIA UK Limited loss and loss adjustment expense reserves that are excluded from MBIA Insurance Corporation's Statutory filings where MBIA Insurance Corporation's ownership of MBIA UK Limited is presented on an equity basis.
- (3) Total losses paid for the insured CDO portfolio includes loss and LAE payments, commutation related payments and a reduction in loss payments due to the Channel Re commutation.
- (4) Represents PV incurred losses of \$1.4 billion for multi-sector CDOs, \$863 million for multi-sector CDO-squareds and \$3.3 billion for CMBS.

Change in CDO Statutory Loss Reserves ⁽¹⁾⁽²⁾
September 30, 2012
(dollars in billions)



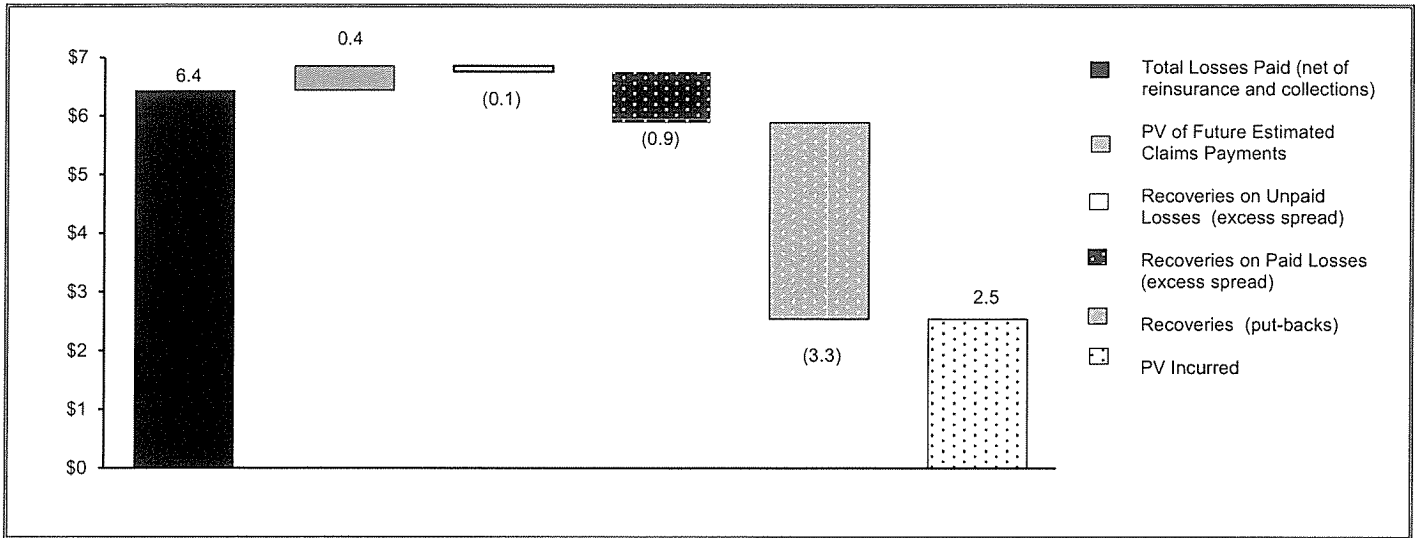
- (1) Includes reserves from September 30, 2007 through September 30, 2012.
- (2) Includes MBIA UK Limited loss and loss adjustment expense reserves that are excluded from MBIA Insurance Corporation's Statutory filings where MBIA Insurance Corporation's ownership of MBIA UK Limited is presented on an equity basis.

**Structured Finance and International Insurance
 (primarily MBIA Insurance Corporation and Subsidiaries)
 Direct RMBS Exposure and Vintage Composition ⁽¹⁾
 (dollars in billions)**

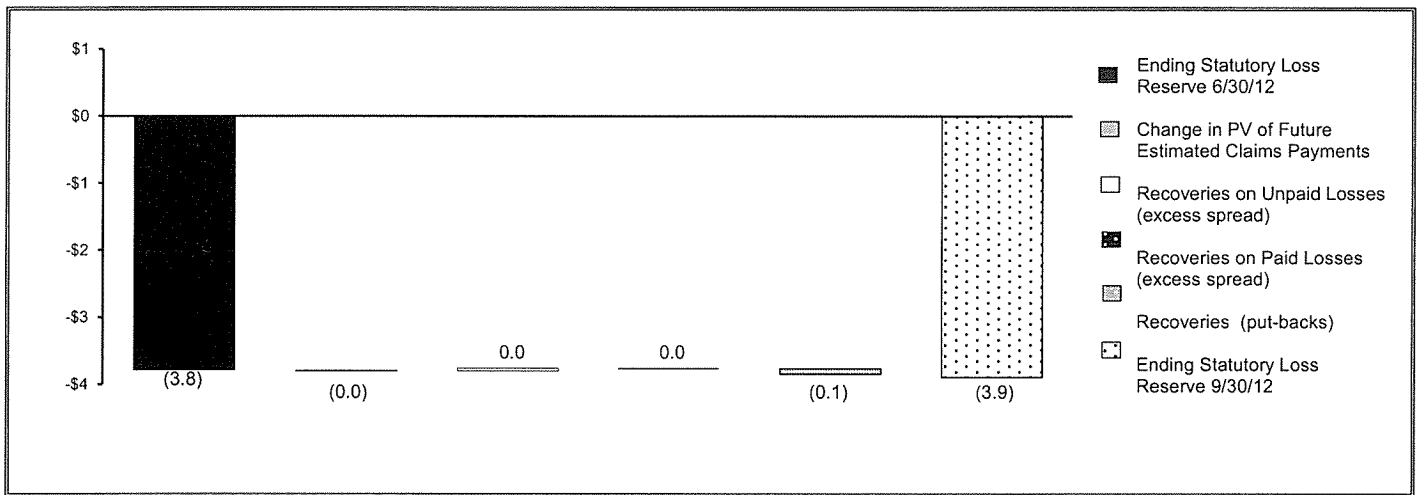


(1) Includes \$2.6 billion of consolidated insured Variable Interest Entities (VIEs).

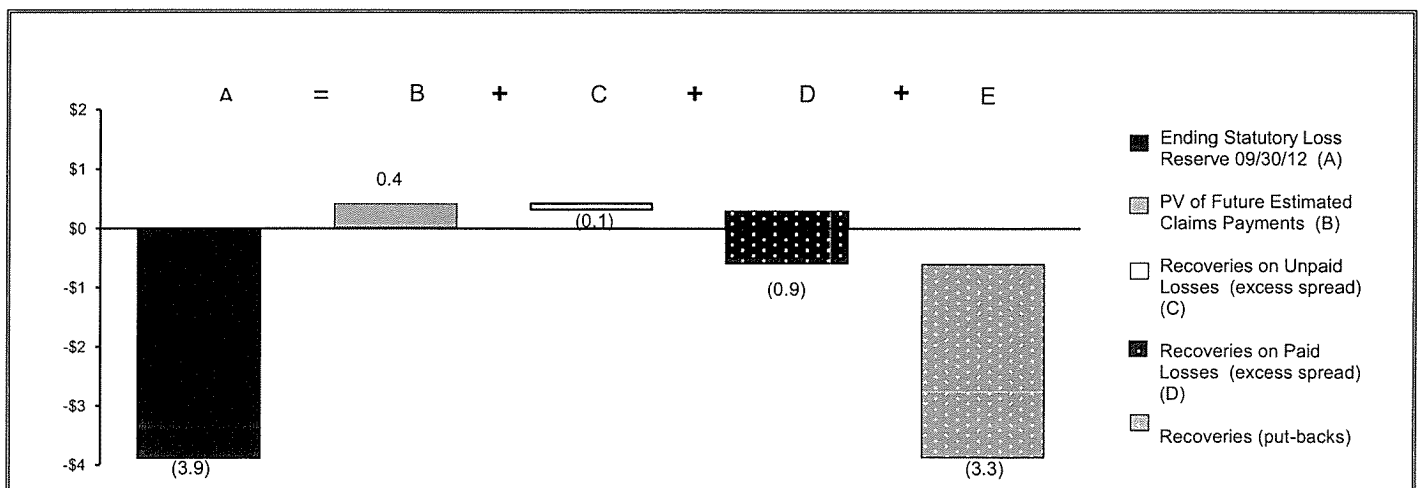
MBIA Insurance Corporation and Subsidiaries
Second-Lien Statutory Losses Inception-to-Date ⁽¹⁾
 Beginning September 30, 2007 through September 30, 2012
 (dollars in billions)



Change in Second-Lien Statutory Loss Reserves ⁽¹⁾
 September 30, 2012
 (dollars in billions)



Composition of Ending Second-Lien Statutory Loss Reserve ⁽¹⁾
 September 30, 2012
 (dollars in billions)



(1) Totals may not add due to rounding.

MBIA Insurance Corporation and Subsidiaries ⁽¹⁾
Historical Exposure Outstanding and Statutory Loss Payments and Recoveries
(dollars in millions)

	2008	2009	2010	2011	YTD 2012
Gross Par Outstanding (end of period) ⁽²⁾					
Second-Lien RMBS	\$ 16,991	\$ 12,747	\$ 9,919	\$ 8,039	\$ 6,869
Other ⁽³⁾	252,753	221,293	180,267	133,323	109,486 ⁽⁷⁾
Total	\$ 269,744	\$ 234,040	\$ 190,186	\$ 141,362	\$ 116,355
Net Par Outstanding (end of period)					
Second-Lien RMBS	\$ 16,189	\$ 12,346	\$ 9,901	\$ 8,028	\$ 6,860
Other ⁽³⁾	216,667	192,183	178,383	131,694	107,907
Total	\$ 232,856	\$ 204,529	\$ 188,284	\$ 139,722	\$ 114,767
Gross Loss Payments					
Second-Lien RMBS	\$ 1,500	\$ 2,430	\$ 1,460	\$ 754	\$ 415
Other ⁽³⁾⁽⁴⁾	1,002	505	2,157	2,688	607
Total Gross Loss Payments	\$ 2,502	\$ 2,935	\$ 3,617	\$ 3,442	\$ 1,022
Recoveries (received)					
Second-Lien RMBS	\$ 136	\$ 133	\$ 36	\$ 123	\$ 18
Other ⁽³⁾⁽⁵⁾	389	139	1,740	196	112
Total Recoveries	\$ 525	\$ 272	\$ 1,776 ⁽⁶⁾	\$ 319	\$ 130
Net Loss Payments					
Second-Lien RMBS	\$ 1,364	\$ 2,297	\$ 1,424	\$ 631	\$ 397
Other ⁽³⁾	613	366	417	2,492	495
Total Net Loss Payments	\$ 1,977	\$ 2,663	\$ 1,841	\$ 3,123	\$ 892

⁽¹⁾ Table excludes loss adjustment expense and includes MBIA UK Limited payments that are excluded from MBIA Insurance Corporation's Statutory filings because MBIA Insurance Corporation's ownership of MBIA UK Limited is presented on an equity basis.

⁽²⁾ Excludes exposure related to U.S. Public Finance.

⁽³⁾ Includes all MBIA Insurance Corporation and Subsidiaries insured policies excluding second-lien transactions.

⁽⁴⁾ Includes gross claim payments related to U.S. Public Finance transactions made on behalf of National.

⁽⁵⁾ Includes recoveries received from National and third-party reinsurers.

⁽⁶⁾ Includes assets received in connection to the Channel Re commutation based upon Channel Re's loss reserve established for the previously reinsured credits.

⁽⁷⁾ 2012 includes \$643 million of gross insured par for which commutation agreements were reached, but not finalized by September 30, 2012.

Advisory Services Segment

(Cutwater Asset Management)

Advisory Services (Cutwater Asset Management)
Average Assets Under Management
September 30, 2012
(dollars in billions)

	Third-Party		MBIA Affiliates ⁽¹⁾		Conduits		Total	
	QTD	YTD	QTD	YTD	QTD	YTD	QTD	YTD
September 30, 2012	\$ 18.1	\$ 19.7	\$ 12.2	\$ 12.8	\$ 0.8	\$ 1.1	\$ 31.1	\$ 33.6
June 30, 2012	20.0	20.5	13.5	13.2	1.0	1.2	34.5	34.9
March 31, 2012	21.0	21.0	13.1	13.1	1.5	1.5	35.6	35.6
December 31, 2011	23.0	24.9	10.8	12.2	1.6	1.6	35.4	38.7
September 30, 2011	25.0	25.6	11.9	12.6	1.6	1.6	38.5	39.8
June 30, 2011	25.5	25.8	12.7	13.0	1.6	1.6	39.8	40.4
March 31, 2011	26.2	26.2	13.2	13.2	1.6	1.6	41.0	41.0
December 31, 2010	25.4	26.0	14.5	14.8	1.7	1.8	41.6	42.6
September 30, 2010	26.4	26.2	15.1	14.9	1.7	1.8	43.2	42.9
June 30, 2010	26.2	26.1	14.7	14.8	1.8	1.9	42.7	42.8
March 31, 2010	26.0	26.0	15.0	15.0	1.9	1.9	42.9	42.9
December 31, 2009	25.0	23.7	15.3	16.9	2.0	2.0	42.3	42.6
September 30, 2009	24.9	23.3	16.3	17.4	2.0	2.0	43.2	42.7
June 30, 2009	23.2	22.5	17.0	17.9	1.9	2.0	42.1	42.4
March 31, 2009	21.8	21.8	18.7	18.7	2.2	2.2	42.7	42.7
December 31, 2008	20.3	21.9	23.2	31.8	2.5	3.1	46.0	56.8
September 30, 2008	22.0	22.5	29.9	34.6	2.9	3.3	54.8	60.4
June 30, 2008	22.6	22.7	36.1	37.0	3.1	3.4	61.8	63.1
March 31, 2008	22.9	22.9	37.8	37.8	3.9	3.9	64.6	64.6
December 31, 2007		26.8		34.9		4.3		66.0
December 31, 2006		23.3		28.8		3.9		56.0
December 31, 2005		18.2		25.3		5.7		49.2
December 31, 2004		16.4		21.0		6.9		44.3
December 31, 2003		14.6		18.0		8.8		41.4

(1) Effective for the period ended March 31, 2012, derivatives are included in average assets under management.

Wind-down Operations

Wind-down Operations
Asset / Liability Management Business
Assets/Liabilities Balances
September 30, 2012
(dollars in billions)

<u>Assets</u> ⁽¹⁾		<u>Liabilities</u>	
Cash/Treasury/Agencies ⁽²⁾	\$ 1.0	GICs ⁽⁴⁾	\$ 1.0
Corporates	0.3	MTNs (GFL)	1.6
ABS	0.1	Inter-segment Repo	0.1
RMBS	0.0	Secured Loan Facility From MBIA Corp.	-
CDOs	0.1		
Other ⁽³⁾	0.2		
Total Assets	\$ 1.7	Total Liabilities	\$ 2.7

⁽¹⁾ Excludes OCI; at amortized cost.

⁽²⁾ Includes cash collateral to derivative counterparties of \$298 million.

⁽³⁾ Includes other assets not reported in investments on the Company's balance sheets.

⁽⁴⁾ Certain investment agreements are terminable at the option of the investor.

Affiliate and Inter-Segment Support for Asset / Liability Management Business
September 30, 2012
(dollars in billions)

	<u>Size</u>
Secured Loan Facility From MBIA Corp. ⁽¹⁾	\$ -
Repurchase Agreement (Meridian Funding)	0.051
Total Cash Support	0.051
Asset Swap Facility From National	0.522
Total Affiliate Support Facilities	\$ 0.573

⁽¹⁾ In May 2012, the NYSDFS approved the maturity extension of the MBIA Corp. Secured Loan to May 2013 with a maximum outstanding amount of \$450 million, subject to MBIA Corp. obtaining prior approval from the NYSDFS for any draws under the facility.

Corporate Segment

(primarily MBIA Holding Company)

MBIA Corporate Activities

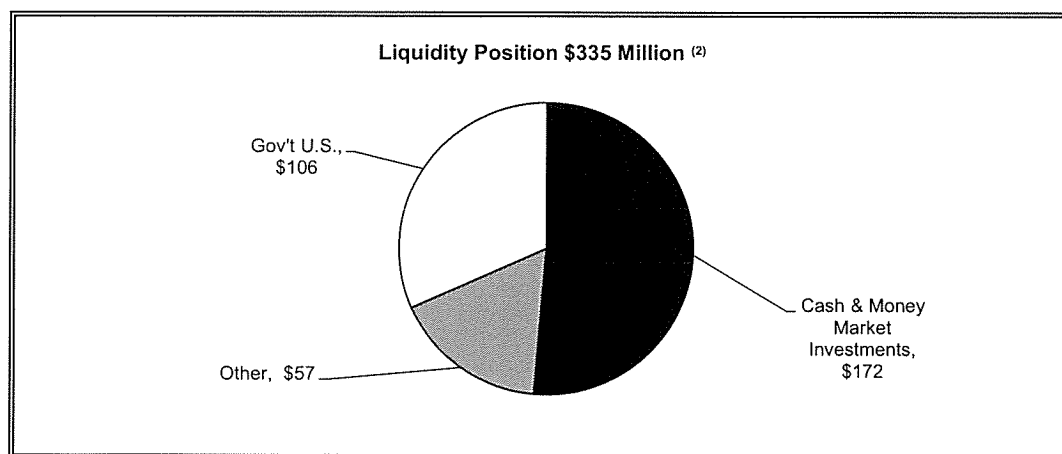
Liquidity Position ⁽¹⁾

(dollars in millions)

2012	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
Beginning Liquidity Position	\$ 226	\$ 251	\$ 290		\$ 226
Total Cash Inflows	46	70	71		187
Operating & Other Expenses	12	9	17		38
Debt Service	9	22	9		40
Debt & Equity Purchases	-	-	-		-
Contributions to Subsidiaries	-	-	-		-
Total Cash Outflows	21	31	26		78
Net Cash Flow	25	39	45		109
Ending Liquidity Position	\$ 251	\$ 290	\$ 335		\$ 335

2011	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Beginning Liquidity Position	\$ 295	\$ 260	\$ 215	\$ 186	\$ 295
Total Cash Inflows	50	10	29	128	217
Operating & Other Expenses	8	8	22	16	54
Debt Service	77	22	9	22	130
Debt & Equity Purchases	-	25	27	-	52
Contributions to Subsidiaries	-	-	-	50	50
Total Cash Outflows	85	55	58	88	286
Net Cash Flow	(35)	(45)	(29)	40	(69)
Ending Liquidity Position	\$ 260	\$ 215	\$ 186	\$ 226	\$ 226

At September 30, 2012
(dollars in millions)



⁽¹⁾ Presented on a direct cash flow basis for transactions settled within the reported periods. Liquidity Position excludes assets that are not readily available for sale, such as assets held by MBIA Inc.'s Asset-Liability Management business. Liquidity Positions shown for prior periods are lower than earlier reported Liquidity Positions for the same periods, as the definition of Liquidity Position has been modified to exclude certain assets that were previously included in Liquidity Position.

⁽²⁾ Liquidity Position consists of cash and other liquid investments.

Glossary

Adjusted Book Value (ABV)	<p>ABV, a non-GAAP measure, is used by the Company to supplement its analysis of GAAP book value. The Company uses ABV as a measure of fundamental value and considers the change in ABV an important measure of periodic financial performance. ABV adjusts GAAP book value to remove the impact of certain items which the Company believes will reverse over time, as well as to add in the impact of certain items which the Company believes will be realized in GAAP book value in future periods. The Company has limited such adjustments to those items that it deems to be important to fundamental value and performance and which the likelihood and amount can be reasonably estimated. ABV assumes no new business activity. The Company has presented ABV to allow investors and analysts to evaluate the Company using the same measure that MBIA's management regularly uses to measure financial performance. ABV is not a substitute for and should not be viewed in isolation from GAAP book value.</p> <p>ABV is calculated on a consolidated basis and a segment basis. ABV by segment provides information about each segment's contribution to consolidated ABV and is calculated using the same formula.</p> <p>ABV per share represents that amount of ABV allocated to each common share outstanding at the measurement date.</p>
Adjusted Pre-tax Income	<p>Adjusted pre-tax income, a non-GAAP measure, is used by the Company to supplement its analysis of GAAP pre-tax income. The Company uses adjusted pre-tax income as a measure of fundamental periodic financial performance. Adjusted pre-tax income adjusts GAAP pre-tax income to remove the effects of consolidating insured VIEs and gains and losses related to fair valuing insured credit derivatives, which the Company believes will reverse over time, and adds in changes in the present value of insurance claims the Company expects to pay on insured credit derivatives based on its ongoing insurance loss monitoring and loss adjustment expenses. Adjusted pre-tax income is not a substitute for and should not be viewed in isolation from GAAP pre-tax income and the Company's definition of adjusted pre-tax income may differ from that used by other companies.</p>
Aircraft Portfolio Lease Securitization	<p>Transactions secured by operating leases on fleets of commercial aircraft. The leases generally are diversified pools of international airlines. MBIA has the right to liquidate or re-lease the aircraft upon an Event of Default.</p>
Alt-A Mortgage Loans	<p>An Alt-A mortgage, short for Alternative A-paper, is a type of U.S. mortgage that, for various reasons, is considered riskier than A-paper, or "prime", and less risky than "subprime," mortgage loans. Traditionally Alt-A mortgages are defined as loans lacking full documentation. Alt-A mortgages are typically characterized by borrowers with lower credit scores, higher loan-to-values and/or more investment properties than prime borrowers. Alt-A mortgages may have excellent credit but may not meet prime borrower underwriting criteria for other reasons.</p>
Amortized Cost	<p>The purchase price of a fixed-maturity security, net of any discount received or premium paid. Amortized cost is adjusted each reporting period to reflect the repayment of principal (par) by the issuer of a security and the accretion of a discount or the amortization of a premium.</p>
Asset Swap Facility	<p>Under the Asset Swap Facility, National Public Finance Guarantee Corporation delivers primarily treasury, agency and municipal securities to MBIA Inc. in exchange for receiving primarily other investment grade fixed-income securities. In return, National Public Finance Guarantee Corporation earns a fee, representing the benefit to MBIA</p>

Inc. of receiving government securities and delivering non-government securities for the transaction period. The Facility is subject to renewal by both parties on a quarterly basis. At the inception of each renewal period, market fees and margin requirements are obtained from active repo dealers.

Below Investment Grade (BIG)	Any security rated below BBB- by Fitch, MBIA and S&P or Baa3 by Moody's.
Book Yield	Yield of fixed-maturity investment based upon the purchase price or book value of a bond and the timing of future cash flows. The book yield includes appreciation (depreciation) on current amortized cost amounts for fixed-maturity investments purchased at a discount (premium).
Capital Ratio	Net debt service outstanding divided by statutory capital.
Collateralized Debt Obligations (CDO)	A debt instrument that is secured (collateralized) by a pool of other securities, typically loans and bonds. CDOs can include all types of loans and bonds, including high-yield bonds, emerging market bonds, asset-backed transactions and middle-market bank loans. Collateralized Bond Obligations (CBOs), Collateralized Loan Obligations (CLOs), and Collateralized Mortgage Obligations (CMOs) are types of CDOs.
CDO-Commercial Real Estate (CRE)	Transactions secured by a diversified pool of commercial real estate-oriented loans and/or bonds. Transactions are actively managed pools of collateral with a Collateralized Debt Obligation (CDO) structure with first loss positions provided by subordinated tranches. Transactions are usually managed pools with reinvestment permitted subject to Eligibility Criteria.
CDO-High Yield Corporate	High Yield Corporate Collateralized Debt Obligations (CDOs) are transactions that contain high yield, usually non-investment grade corporate collateral.
CDO-Investment Grade Corporate Pools	Investment Grade Corporate Collateralized Debt Obligations (CDOs) are transactions that contain pools of investment grade corporate collateral.
CDO-Multi Sector CDO Squared	Collateralized Debt Obligations (CDOs) where underlying collateral comprises tranches issued by other Collateralized Debt Obligations (CDOs).
CDO-Structured CMBS Pools	Transactions containing pools of commercial mortgage securitizations that represent mortgage loans for non-residential properties such as office buildings, retail stores, etc. The majority of MBIA's insured structured CMBS pools are comprised of similarly rated underlying tranches.
Claims-paying Resources (CPR)	CPR is a key measure of the resources available to National and MBIA Corp. to pay claims under their respective insurance policies. CPR consists of total financial resources and reserves calculated on a statutory basis. CPR has been a common measure used by financial guarantee insurance companies to report and compare resources and continues to be used by MBIA's management to evaluate changes in such resources. The Company has provided CPR to allow investors and analysts to evaluate National and MBIA Corp. using the same measure that MBIA's management uses to evaluate their resources to pay claims under their respective insurance policies. There is no directly comparable GAAP measure.
Claims-paying Resources Ratio	Net debt service outstanding divided by the sum of the capital base, unearned premium reserve (after-tax), present value of installment premiums (after-tax) and gross loss and loss adjustment expense (LAE) reserves.
Closed-End Second Mortgage (CES)	An additional mortgage taken out on property, where the priority in claim settlements is given to the earlier mortgage. The rate for a second mortgage is fixed and the loan

amount is determined at the time of application. After approval, the borrower will receive the funds in one lump sum.

Controlling Financial Interest

A controlling financial interest identifies the holder of a variable interest in a Variable Interest Entity (VIE) that has both (i) the power to direct the activities that most significantly impact the economic performance of the VIE, and (ii) the obligation to absorb losses or receive benefits from the VIE. The holder of a controlling financial interest in a VIE is required to consolidate the VIE. An assessment of controlling financial interest is continuously performed based on any substantive changes in facts and circumstances involving the VIE and its variable interests, and such changes may result in a VIE being consolidated or deconsolidated.

Consolidated Insured Variable Interest Entity (VIE)

A Variable Interest Entity (VIE) that is consolidated by MBIA Corp. or National as a result of issuing a financial guarantee insurance contract insuring the assets and/or liabilities of the VIE. Based on facts and circumstances, the financial guarantee insurance contract resulted in the Company having a controlling financial interest in the VIE. The holder of a controlling financial interest is required to consolidate the VIE. Refer to Controlling Financial Interest.

Commercial Mortgage Backed Securities (CMBS)

A type of mortgage-backed security, the word is used to distinguish it from residential mortgage-backed securities (RMBS). Commercial mortgages represent mortgage loans for non-residential properties such as office buildings, retail stores, etc.

Credit Impairment (Insured Credit Derivatives)

Credit impairments on insured derivatives represent actual payments for the period plus the present value of the Company's estimate of expected future claim payments for such transactions, using a discount rate required by statutory accounting principles, plus loss adjustment expenses. Since the Company's insured credit derivatives have similar terms, conditions, risks, and economic profiles to its financial guarantee insurance policies, the Company evaluates them for impairment periodically in the same way that it estimates loss and LAE for its financial guarantee insurance policies. Credit impairments on insured derivatives are equal to the Company's statutory losses and loss adjustment expenses for such contracts.

Credit impairments on insured derivatives may differ from the fair values recorded in the Company's financial statements. The Company expects that the majority of its exposure written in derivative form will not be settled at fair value. The fair value of an insured derivative contract will be influenced by a variety of market and transaction-specific factors that may be unrelated to potential future claim payments. In the absence of credit impairments or the termination of derivatives at losses, the cumulative unrealized losses recorded from fair valuing insured derivatives should reverse before or at the maturity of the contracts. Contracts also may be settled prior to maturity at amounts that may be more or less than their recorded fair values. Those settlements can result in realized gains or losses, and the reversal of unrealized losses. For these reasons, the Company believes its disclosure of credit impairments on insured derivatives provides additional meaningful information to investors about potential realized losses on these contracts.

Deferred Acquisition Cost (DAC)

Deferred acquisition costs include those expenses that relate primarily to, and vary with, the acquisition of new insurance business. The Company periodically conducts a study to determine which operating costs have been incurred to acquire new insurance business and qualify for deferral. For business produced directly by National or MBIA Corp., such costs include compensation of employees involved in underwriting and deferred issuance functions, certain rating agency fees, state premium taxes and certain other underwriting expenses, reduced by ceding commission income on premiums ceded to reinsurers. DAC also include ceding commissions paid by the Company in connection with assuming business from other financial guarantors. DAC, net of ceding commissions received, related to non-derivative insured financial guarantee transactions are deferred and amortized over the period in which the related

premiums are earned. Acquisition costs related to insured derivative transactions are expensed as incurred.

Franchise Assets (Commercial Real Estate Secured)	Bonds or financial obligations secured by a diverse pool of loans, leases, and/or receivables to small businesses. Security will include mortgages over commercial real estate. These pools may include franchise loans, but only when secured by the commercial real estate. The underlying debt obligations will be "small ticket" in nature and the pools will be granular. Credit enhancement will be found in the form initial equity underpinning the real estate, over-collateralization and/or excess spread.
Franchise Assets (Not Commercial Real Estate Secured)	Bonds or financial obligations secured by pools of loans, leases and/or receivables where the obligors are small businesses, and the credit obligations are not secured by commercial real estate. These pools may include franchise loans (where security is not commercial real estate, but rather equipment and intellectual property). Credit enhancement will be found in the form over-collateralization and/or excess spread.
Future Flows	Bonds secured by loans, leases, and/or receivables to be generated some time in the future by a large bank or global commodities exporter.
Global Funding, LLC (GFL)	A funding vehicle that issues medium term notes (MTN) on a private placement basis. MTN's issued by Global Funding, LLC are guaranteed by MBIA Insurance Corporation.
Guaranteed Investment Contract (GIC)	Insurance contracts that guarantee the owner principal repayment and a fixed or floating interest rate for a predetermined period of time. Guaranteed Investment Contracts are typically issued by insurance companies and marketed to institutions that qualify for favorable tax status under federal laws.
Home Equity Line of Credit (HELOC)	Loan in which the lender agrees to lend a maximum amount within an agreed period (called a term), where the collateral is the borrower's equity in his/her home. A HELOC differs from a conventional home equity loan in that the borrower is not advanced the entire sum up front, but uses a line of credit to borrow sums that total no more than the credit limit, similar to a credit card. HELOC funds can be borrowed, repaid and reborrowed during the "draw period" (typically 5 to 25 years). A HELOC may have a minimum monthly payment requirement (often "interest only"); however, the debtor may make a repayment of any amount so long as it is greater than the minimum payment. At the end of the draw period, the outstanding principal amount may be due as a lump-sum balloon payment or, more typically, the loan begins to amortize according to a predetermined schedule.
Investment Agreement	A contract specifying the rights and responsibilities of a host [government] and a corporation in the structure and operation of an investment project.
Medium Term Note (MTN)	A debt security issued under a program that allows an issuer to offer notes continuously to investors through an agent. The size and terms of medium-term notes may be customized to meet investors' needs. Maturities can range from one to 30 years.
Residential Mortgage Backed Securities (RMBS)	A type of mortgage-backed security composed of a wide array of different non-commercial mortgage debts. It securitizes the mortgage payments of non-commercial real estate. Different residential mortgages with varying credit ratings are pooled together and sold in tranches to investors looking to diversify their portfolios or hedge against certain types of risks.

Secured Airline Equipment Securitization (EETC)	A structured transaction that pools senior tranches of leases on specific airplanes. The airplanes may be operated by a single airline or be leases with a number of airlines. The enhanced nature refers to the special treatment such leases get in any bankruptcy proceeding of an airline.
Structured Insurance Securitizations	Bonds secured by the future earnings from pools of various types of insurance/reinsurance policies. These pools specifically include insurance or annuity policies as well as policies issued by property & casualty insurers/reinsurers. Performance analysis of the pools of policies must conform to standard and recognized actuarial techniques.
Synthetic CDO-Managed Pools	A synthetic asset is a derivative which replicates certain payment features of a cash security. For credit derivatives entered into by MBIA, a synthetic execution is an enhancement of a credit product (derivative or not) by means of a credit default swap. In a managed pool, the Collateralized Debt Obligation (CDO) manager can buy/sell underlying securities over the life of the deal.
Synthetic CDO-Static Pools	A synthetic asset is a derivative which replicates certain payment features of a cash security. For credit derivatives entered into by MBIA, a synthetic execution is an enhancement of a credit product (derivative or not) by means of a credit default swap. In a static pool, underlying collateral remains unchanged over the life of the deal.
Variable Interests	Variable interests are contractual, ownership, or other economic interests in a Variable Interest Entity (VIE) designed to absorb expected losses or receive residual returns. An instrument that absorbs or receives variability is a variable interest, including equity, debt, guarantees of the value of the assets or liabilities of a VIE, derivatives instruments that absorb or receive variability, and commitments to provide liquidity to a VIE.
Variable Interest Entity (VIE)	A VIE is a legal entity, such as a Special Purpose Entity, trust, limited liability corporation, partnership, or corporation, that has (i) insufficient equity to finance its activities without additional subordinated financing, or (ii) in which the equity holders do not have the power, through voting rights or otherwise, to direct the economic activities or do not absorb losses or receive residual returns of the entity, or (iii) in which the voting rights of some investors are not proportional to their obligation to absorb losses or receive residual returns and substantially all the entity's activities are conducted on behalf of an investor with disproportionately few voting rights. Refer to Controlling Financial Interest.

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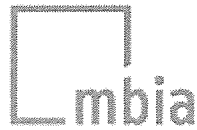
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---Ticker Symbol--- MBI

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Appendix G



October 1, 2008

MBIA Announces Closing of Reinsurance Transaction with Financial Guaranty Insurance Company

ARMONK, N.Y., Oct 01, 2008 (BUSINESS WIRE) -- MBIA Inc. (NYSE: MBI) today announced the closing of the previously announced reinsurance transaction between its insurance subsidiary, MBIA Insurance Corporation (MBIA) and Financial Guaranty Insurance Company (FGIC). The reinsured portfolio consists entirely of U.S. public finance bonds (the "public finance portfolio") with total net par outstanding of approximately \$166 billion. In connection with the reinsurance, MBIA has received unearned upfront premiums, net of a ceding commission paid to FGIC, of approximately \$639 million. As required by the New York State Insurance Department, the funds will be placed in a trust and will be released to MBIA upon the earlier of its removal from ratings review with its current ratings or nine months from the closing date of the transaction. Under the terms of the trust, the funds will be released to MBIA as the premium is earned and can be used to pay claims under the reinsurance agreement.

The public finance portfolio consists exclusively of investment grade credits, primarily in the general obligation, water and sewer, tax-backed and transportation sectors, and does not contain any credit default swap contracts, below investment grade credits or other credits inconsistent with MBIA's credit underwriting standards. The reinsurance has been provided on a "cut-through" basis, enabling FGIC's policyholders to receive the benefit of MBIA's reinsurance by allowing them to present claims directly to MBIA.

"We are pleased to be a part of a win-win transaction for MBIA, FGIC and FGIC's policyholders," said Bill Fallon, MBIA Managing Director. "The transaction provides an attractive return to MBIA, additional capital for FGIC and the security of MBIA's strong claims-paying resources for FGIC's policyholders."

Forward-Looking Statements

This release contains statements about future results that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Readers are cautioned that these statements are not guarantees of future performance. There are a variety of factors, many of which are beyond MBIA's control, which affect the operations, performance, business strategy and results and could cause its actual results to differ materially from the expectations and objectives expressed in any forward-looking statements. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements which speak only as of the date they are made. MBIA does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements are made. The reader should, however, consult any further disclosures MBIA may make in its future filings of its reports on Form 10-K, Form 10-Q and Form 8-K.

MBIA Inc., headquartered in Armonk, New York is a holding company whose subsidiaries provide financial guarantee insurance, fixed-income asset management, and other specialized financial services. The Company services its clients around the globe, with offices in New York, Denver, San Francisco, Paris, London, Madrid, Mexico City, Sydney and Tokyo. Its principal operating subsidiary, MBIA Insurance Corporation, is rated A2 by Moody's Investors Service on review for

possible downgrade and AA by Standard & Poor's Ratings Services with a negative outlook. Please visit MBIA's Web site at www.mbia.com.

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