

We are requesting a determination that a Succession Event regarding MBIA Insurance Corporation (“MBIA Corp”) occurred on February 17, 2009, and that MBIA Insurance Corporation of Illinois (“MBIA Illinois”) and MBIA Corp are Successors for New Credit Derivative Transactions. On February 17, 2009, MBIA Corp entered into an Assignment and Assumption Agreement with MBIA Illinois (the “Assignment and Assumption Agreement”), pursuant to which MBIA Illinois succeeded to more than 25% of the Relevant Obligations of MBIA Corp. Specifically, MBIA Illinois succeeded to MBIA Corp’s obligations under the Reinsurance Agreement between Financial Guaranty Insurance Company and MBIA Corp dated as of September 30, 2008 (the “FGIC Reinsurance Agreement”), and MBIA Corp was released of all obligations under that agreement.

Best Available Information includes the following documents published on MBIA’s website (<http://www.mbia.com/>) and filed with the SEC:

- Assignment and Assumption Agreement between MBIA Corp and MBIA Illinois dated February 17, 2009.  
(<http://www.mbia.com/investor/publications/AssignmentAssumptionAgmt.pdf>)
- MBIA Inc. Form 10-K for the year ending December 31, 2008.  
(<http://www.sec.gov/Archives/edgar/data/814585/000119312509042548/d10k.htm>)
- MBIA Q4 2008 Operating Supplement.  
([http://library.corporate-ir.net/library/88/880/88095/items/326921/59A37248-7342-4F2E-89B7-F4BE4692E76F\\_MBI\\_2008\\_4Q\\_Op\\_Supp.pdf](http://library.corporate-ir.net/library/88/880/88095/items/326921/59A37248-7342-4F2E-89B7-F4BE4692E76F_MBI_2008_4Q_Op_Supp.pdf))
- Reinsurance Agreement between Financial Guaranty Insurance Company (“FGIC”) and MBIA Corp dated September 30, 2008.  
(<http://www.mbia.com/investor/publications/ReinsuranceAgreement.PDF>)
- Financial Guaranty Insurance Company (FGIC) Covered Policies Under MBIA Reinsurance Transaction.  
(<http://www.mbia.com/investor/fgic.html>)
- Notice of FGIC/MBIA Reinsurance Transaction Closing dated December 3, 2008. (“Notice to Policyholders”)  
(<http://www.mbia.com/investor/publications/Notice-Policyholders.pdf>)

By way of explanation:

For the purpose of determining whether MBIA Illinois has “succeeded” to the Relevant Obligations of MBIA Corp pursuant to a Succession Event, Section 2.2(b) and 2.2(c) of the 2003 ISDA Credit Derivatives Definitions (“2003 Definitions”) requires that (i) MBIA Illinois “assumes or becomes liable for such Relevant Obligations” and (ii) MBIA Corp “is no longer an obligor (primarily or secondarily) or guarantor with respect to such Relevant Obligations.” Both of these conditions are met as set forth in Section 2 of the Assignment and Assumption Agreement:

“Without limiting the foregoing, as contemplated by the FGIC Reinsurance Agreement and the FGIC Trust Agreement, unless and until revoked by agreement of the parties hereto as contemplated below, it is the parties’ intention that:

(i) MBIA Illinois shall be substituted for MBIA Corp under each of the FGIC Reinsurance Agreement and the FGIC trust Agreement, in MBIA Corp's name, place and stead;

(ii) MBIA Corp shall be deemed to have ceased to be a party to the FGIC Reinsurance Agreement and the FGIC Trust Agreement, and shall be discharged from all obligations and liabilities to FGIC and/or the Trustee, as applicable, thereunder; and

(iii) FGIC and the Trustee, as applicable, will look solely to MBIA Illinois for performance of any and all obligations and liabilities owed to it under each of the FGIC Reinsurance Agreement and the FGIC Trust Agreement.”

To like effect, the Notice to Policyholders (second paragraph) expressly contemplated the possibility that MBIA Corp would assign its position to MBIA Illinois or another affiliate, in which event “all obligations of MBIA [Corp] under the Reinsurance Agreement, including MBIA's obligation to make direct payment to the Payees in accordance with the procedure set forth below, shall be assumed by such affiliate of MBIA (the “Assignee”) and the obligations of MBIA to the Payees shall terminate upon such assignment.”

In determining the “Successor(s)” to MBIA Corp, Section 2.2(a)(iv) of the 2003 Definitions says that “if one or more entities each directly or indirectly succeeds to more than twenty-five per cent of the Relevant Obligations of the Reference Entity by way of a Succession Event, and more than twenty-five per cent of the Relevant Obligations of the Reference Entity remain with the Reference Entity, each such entity and the Reference Entity will be a Successor for a New Credit Derivative Transaction determined in accordance with the provisions of Section 2.2(e).”

- Using Best Available Information, we determined that the Assignment and Assumption Agreement dated February 17, 2009 between MBIA Corp and MBIA Illinois resulted in MBIA Illinois succeeding to 25.7% of the Relevant Obligations of MBIA Corp.<sup>1</sup> MBIA Corp still retains more than twenty-five percent of the Relevant Obligations and therefore MBIA Corp and MBIA Illinois will each be a Successor for a New Credit Derivative Transaction.

---

<sup>1</sup> The Consolidated MBIA Total Insured Portfolio contains a small but undeterminable amount of obligations that are insured by MBIA UK Insurance Ltd. and not subsequently reinsured with MBIA Corp. Excluding that amount would increase the percentage of Relevant Obligations that have been transferred to MBIA Illinois.

**MBIA Insurance Corp. as of 12/31/2008**

(\$ in millions)		Gross Par	Source
US Public Finance		571,736	Q4 2008 Operating Supplement page 20
Non-US Public Finance		35,186	Q4 2008 Operating Supplement page 20
US Structured Finance		159,579	Q4 2008 Operating Supplement page 20
Non-US Structured Finance		74,979	Q4 2008 Operating Supplement page 20
Consolidated MBIA Total Insured Portfolio <sup>(1)</sup>	(a)	841,480	Q4 2008 Operating Supplement page 20
Less: CDS Guarantees	(d)	145,600	12/31/2008 10-K page 198
<b>MBIA Insured Portfolio that are "Relevant Obligations"</b>		<b>695,880</b>	
MTNs	(b)	7,226	12/31/2008 10-K page 180
Investment Agreements	(c)	5,094	12/31/2008 10-K page 179
Surplus Notes	(e)	953	12/31/2008 10-K page 177
<b>"Relevant Obligations"</b>	(a) - (d) + (b) + (e)	<b>704,059</b>	
FGIC Reinsurance Net Par		181,000	12/31/2008 10-K page 203
<b>Transfer of "Relevant Obligations"</b>		<b>25.7%</b>	

In determining the universe of Relevant Obligations, the following was considered:

- Section 2.2(f) of the 2003 Definitions defines Relevant Obligations as “Obligations constituting Bonds and Loans of the Reference Entity outstanding immediately prior to the effective date of the Succession Event...”
- To the extent that the underlying obligation insured by MBIA Corp is a Bond or a Loan, MBIA Corp’s guarantee on the obligation (i.e. the Qualifying Policy) is deemed to be a Bond or a Loan pursuant to Section (c) of the Additional Provisions for Physically Settled Default Swaps – Monoline Insurer as Reference Entity (“2005 Monoline Supplement”), and therefore, fall under the definition of Relevant Obligations.
  - Specifically, Section (c) of the 2005 Monoline Supplement states that “[i]n the event that an Obligation or a Deliverable Obligation is a Qualifying Policy, the terms of Section 2.21(d) will apply, with references to the Qualifying Guarantee, the Underlying Obligation and the Underlying Obligor deemed to include the Qualifying Policy, the Insured Instrument and the Insured Obligor...”
  - Section 2.21(d)(i) of the 2003 Definitions referenced above states that, “[f]or purposes of the application of the Obligation Category or the Deliverable Obligation Category, the Qualifying Guarantee shall be deemed to satisfy the same category of categories as those that describe the Underlying Obligation.”
- We believe that the obligations underlying MBIA’s entire Insured Portfolio are either a Bond or a Loan, with the exception of insurance policies written on credit derivative contracts entered into by LaCrosse Financial Products, LLC (“CDS Guarantees”).
  - Credit derivative contracts are not Bonds because they are not obligations of the type included in the “Borrowed Money” Obligation Category that is in the

form of, or represented by, a bond, note, certificated debt security or other debt security.

- Credit derivative contracts are not Loans because they are not obligations of a type included in the “Borrowed Money” Obligation Category that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement.
- Medium-Term Notes (“MTNs”) issued by MBIA Global Funding, LLC and Meridian Funding Company, LLC and guaranteed by MBIA Corp are Relevant Obligations because the Insured Instrument (i.e. the MTNs) is a Bond.
- Investment Agreements issued by MBIA Inc. or MBIA Investment Management Corp and guaranteed by MBIA Corp do not constitute Relevant Obligations since the underlying instruments are neither Bonds nor Loans.
- Surplus Notes issued by MBIA Corp are considered Relevant Obligations because they constitute a Bond.
- The insurance obligations to which MBIA Illinois succeeded pursuant to the Assignment and Assumption Agreement are Relevant Obligations because of the following: MBIA Corp’s obligations under the FGIC Reinsurance Agreement (to which MBIA Illinois succeeded) are Qualifying Policies that insure public finance bonds originally insured by FGIC. See Sections 6 and 7. Pursuant to Section 13, MBIA Corp agreed to make payment in respect of the reinsured policies directly to the pertinent payees thereunder, and those payees were made third-party beneficiaries of this undertaking with the right to enforce it directly against MBIA Corp. Similarly, the Notice to Policyholders was sent for the purpose of notifying the insureds under the original FGIC policies that MBIA Corp had taken over FGIC’s obligations on the pertinent policies and that the payees should submit claims directly to MBIA Corp. Since the public finance bonds originally insured by FGIC are Bonds under the 2003 Definitions, the Qualifying Policies that insures them are also deemed to be Bonds, and therefore are Relevant Obligations.