

REPORT ON ORGANIZATION

OF THE

MUNICIPAL AND INFRASTRUCTURE ASSURANCE CORPORATION

AS OF

SEPTEMBER 25, 2008

DATE OF REPORT

SEPTEMBER 25, 2008

EXAMINER

ADEBOLA AWOFESO

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

September 25, 2008

Mr. Eric R. Dinallo
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 30138 dated September 10, 2008 attached hereto, I have made an examination on organization of Municipal and Infrastructure Assurance Corporation as of September 25, 2008, and submit the following report thereon.

Wherever the designations “the Company” or “MIAC” appear herein without qualification, they should be understood to indicate Municipal and Infrastructure Assurance Corporation.

Wherever the term “Department” appears herein without qualification, it should be understood to mean the New York Insurance Department.

The examination was conducted at the Company administrative offices located at 125 West 55th Street, New York 10019.

1. SCOPE OF EXAMINATION

The examination comprised a complete verification of the issuance of the Company's capital stock, the receipt of the capital and surplus funds, and the determination of the Company's assets and liabilities. The records examined were the declaration of intention and charter, the by-laws, the certificate of incorporation, the corporate minutes, the stock register and the inter-company and custodial agreements entered into by the Company as of the examination date. In addition, an affidavit, appended hereto, was obtained from two officers of the Company indicating that the transactions noted in this report were lawful and bona fide.

2. INCORPORATION

Municipal and Infrastructure Assurance Corporation was incorporated under the laws of the State of New York on August 21st, 2008. The Department approved the Company's declaration of intention and charter on the same date.

As of the examination date, the Company's board of directors was comprised of the following thirteen members:

| <u>Name and Residence</u> | <u>Principal Business Affiliation</u> |
|----------------------------------|---|
| Tobias Bachteler New York, NY | Division Director, Macquarie Capital (USA) Inc. |
| Walter Bailey New York, NY | Division Director, Macquarie Capital (USA) Inc. |
| Tim Bishop New York, NY | Executive Director, Macquarie Capital (USA) Inc. |
| Bruce Donaldson Summit, NJ | Division Director, Macquarie Capital (USA) Inc. |
| Brendan Duval Scarsdale, NY | Executive Director, Macquarie Capital (USA) Inc. |

| <u>Name and Residence</u> | <u>Principal Business Affiliation</u> |
|-------------------------------------|---|
| Fred Forni Mount Kisco, NY | Executive Director, Macquarie Capital (USA) Inc. |
| Matthew Lancaster New York, NY | Division Director, Macquarie Capital (USA) Inc. |
| Michael Linko Suffern, NY | Executive Vice President, Municipal and Infrastructure Assurance Corporation |
| Duncan Murdoch New York, NY | Executive Director, Macquarie Capital (USA) Inc. |
| Raul Narciso Westbury, NY | Division Director, Macquarie Capital (USA) Inc. |
| Thomas Randazzo Scotch Plain, NJ | President and Executive Officer, Municipal and Infrastructure Assurance Corporation |
| Amanda Wallace Brooklyn, NY | Associate Director, Macquarie Capital (USA) Inc. |
| James Wilson New York, NY | Executive Director, Macquarie Capital (USA) Inc. |

A review of the minutes of the board of directors shows that there were no meetings held during the examination period. In lieu of meetings, all actions were taken by signed written consent of all directors.

As of September 25, 2008, the principal officers of the Company were as follows:

| <u>Name</u> | <u>Title</u> |
|---------------------|---------------------------------|
| Thomas Randazzo | President and Executive Officer |
| Michael Linko | Executive Vice President |
| Christine R. Rivera | Secretary |
| Kathleen Hahn | Treasurer |

3. CAPITALIZATION AND SUBSCRIPTION

Municipal and Infrastructure Assurance Corporation's authorized capital of \$2,500,000 consists of 100,000 shares of common stock at \$25 par value per share. On September 2, 2008 and September 24, 2008, the Company issued 4 shares and 99,996 shares of its authorized common stock respectively to MIHI, LLC ("MIHI"), the immediate parent of the Company. MIHI made a surplus contribution to the Company in the amount of \$72,500,100.

The Company has deposited cash in the amount of \$75 million in a custodial account. It was noted that the custodial account indicates the name of the Company as "Macquarie Municipal and Infrastructure Assurance" rather than "Municipal and Infrastructure Assurance Corporation." It is recommended that the Company amend the name on the account to reflect its correct title.

4. BALANCE SHEET

The following shows the assets, liabilities and surplus as regards policyholders as determined by this examination as of September 25, 2008 and as reported by the Company:

Assets

| | | |
|------|--|--------------|
| Cash | | \$75,000,100 |
|------|--|--------------|

| | | |
|-----------------------|--|---------------------|
| Total admitted assets | | <u>\$75,000,100</u> |
|-----------------------|--|---------------------|

Liabilities

| | | |
|-------------------|--|-----|
| Total liabilities | | \$0 |
|-------------------|--|-----|

Capital and Surplus

| | | |
|----------------------|-------------|--|
| Common capital stock | \$2,500,000 | |
|----------------------|-------------|--|

| | | |
|---------------------------------------|-------------------|--|
| Gross paid in and contributed surplus | <u>72,500,100</u> | |
|---------------------------------------|-------------------|--|

| | | |
|----------------------------------|--|-------------------|
| Surplus as regards policyholders | | <u>75,000,100</u> |
|----------------------------------|--|-------------------|

| | | |
|--|--|---------------------|
| Total liabilities, capital and surplus | | <u>\$75,000,100</u> |
|--|--|---------------------|

5. AUTHORIZED POWERS AND MINIMUM CAPITAL REQUIRED

Pursuant to its declaration of intention and charter, the Company is authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

| <u>Paragraph</u> | <u>Line of Business</u> |
|------------------|-------------------------|
| 16 | Fidelity and surety |
| 17 | Credit |
| 25 | Financial guaranty |

The Company's license will only include the power to write financial guaranty insurance. Sections 4103 and 6902 of the New York Insurance Law provide that in order to be licensed to transact the foregoing kind of insurance, the Company shall have an initial surplus to policyholders in the amount of \$75,000,000, including \$2,500,000 of capital, and shall thereafter maintain a minimum surplus to policyholders in the amount of \$65,000,000. The Company has met these requirements.

6. HOLDING COMPANY SYSTEM

The Company is a member of a holding company that is ultimately controlled by Macquarie Group Ltd.

The following is a chart of the holding company system at September 25, 2008:



At September 25, 2008, the Company was party to the following agreements with other members of its holding company system:

Service Agreement

Effective September 2, 2008, the Company and its affiliate Macquarie Holdings (U.S.A.) Inc. (MUSA), entered into a service agreement. Pursuant to the terms of the agreement, MUSA will provide the Company with central executive services, human resources and business service, information technology service, administrative and clerical personnel, risk management service, quantitative application services, financial operations, economic research services, taxation service, investor relations services, accommodation related services and such other services as the Company may require from time to time and MUSA is willing and able to provide.

It is recommended that the Company file the agreement as required by section 1505(d) of New York Insurance Law.

7. CONCLUSION

Based on the foregoing examination, it is concluded that the Company sold 100,000 shares of common stock with a par value of \$25 per share. These shares represented the total authorized and issued stock for which the Company received a consideration of \$2,500,000 and in addition received \$72,500,100 which represents gross paid in and contributed surplus.

8. SUMMARY OF COMMENTS AND RECOMMENDATIONS

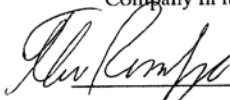
| <u>ITEM</u> | | <u>PAGE NO.</u> |
|-------------|---|-----------------|
| A | <u>Bank Account</u> | |
| | It is recommended that the Company amend the name on the account to reflect its correct title. | 4 |
| B | <u>Service Agreement</u> | |
| | It is recommended that the Company file the agreement as required by section 1505 of New York Insurance Department Law. | 8 |

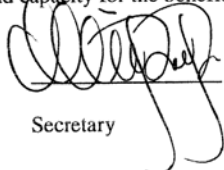


STATE OF NEW YORK,)
) SS.:
 COUNTY OF NEW YORK)

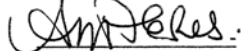
The undersigned each an executive officer of Municipal and Infrastructure Assurance Corporation (the "Company") duly sworn, depose and say under oath that, on the date of September 25, 2008:

- (1) Each of the undersigned is an officer of the Company.
- (2) The Company's capital and surplus equals Seventy-Five Million Dollars (\$75,000,000), consisting of paid in capital of Two Million and Five Hundred Dollars (\$2,500,000) ("Capital") and contributed surplus of Seventy-Two Million and Five Hundred Dollars (\$72,500,000) ("Surplus"). The capital and surplus is on deposit with the Bank of New York.
- (3) No part of the Capital and Surplus has been withdrawn, pledged, or in any way impaired.
- (4) No part of the Capital and Surplus is to be invested or otherwise legitimately used or appropriated except for the sole and exclusive use and benefit of the Company.
- (5) There is no agreement or understanding, express or implied, made or existing between the Company and its officers, or any or either of them, or any person or persons, to the effect or import that the money paid in by any stockholder shall be loaned or returned to it.
- (6) Neither the Company nor any of its officers is in any way, manner or form pledged or committed to make any investment, loan or disposition of the Capital and Surplus, or any part or portion thereof, which is not in strict conformity in all respects with the provisions of the Insurance Law of the State of New York.
- (7) The Capital and Surplus is the property of the Company and is possessed by the Company in its corporate name and capacity for the benefit of its policyholders.


 _____ 9/25/08
 President


 _____ 9/25/08
 Secretary

Subscribed and sworn to before me
 this 25 day of September, 2008



 Notary Public.

Ann-Marie Flores
 Notary Public, State of New York
 No. #01FL6105881
 Qualified in Queens County
 Commission Expires February 23, 2012

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, Eric R. Dinallo, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

Adebola Awofeso

as proper person to examine into the affairs of the

MUNICIPAL AND INFRASTRUCTURE ASSURANCE CORPORATION

and to make a report to me in writing of the condition of the said

Corporation

with such other information as he shall deem requisite.

*In Witness Whereof, I have hereunto subscribed by the
name and affixed the official Seal of this Department, at
the City of New York,*

this 10 day of September, 2008



Eric Dinallo

ERIC R. DINALLO

Superintendent of Insurance