<u>REPORT ON EXAMINATION</u>

<u>OF</u>

<u>MBIA INSURANCE CORPORATION</u>

<u>AS OF</u>

<u>DECEMBER 31, 2015</u>

<u>DATE OF REPORT</u>	<u>MAY 1, 2017</u>
<u>EXAMINER</u>	<u>KAREN GARD, CFE</u>

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NEW YORK STATE
DEPARTMENT of
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

May 1, 2017

Honorable Maria T. Vullo
Superintendent
New York State Department of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31472 dated April 12, 2016, attached hereto, I have made an examination into the condition and affairs of MBIA Insurance Corporation as of December 31, 2015, and submit the following report thereon.

Wherever the designation "the Company" or "MBIA Corp" appears herein without qualification, it should be understood to indicate MBIA Insurance Corporation.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

The examination was conducted at the Company's home office located at 1 Manhattanville Road, Suite 301 Purchase, New York 10577-2100.

1. SCOPE OF EXAMINATION

The Department has performed an individual examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2011. This examination covered the four-year period from January 1, 2012 through December 31, 2015. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner. The examination of the Company was performed concurrently with the examination of National Public Finance Guarantee Corporation ("National").

This examination was conducted in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook ("Handbook"), which requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All financially significant accounts and activities of the Company were considered in accordance with the risk-focused examination process. This examination also included a review and evaluation based upon the Company's Sarbanes Oxley documentation and testing. The examiners also relied upon audit work performed by the Company's independent public accountants when appropriate.

This examination report includes a summary of significant findings for the following items as called for in the Handbook:

Company history
Management and control
Territory and plan of operation
Holding company description
Loss review and analysis
Reinsurance
Financial statement presentation

Summary of recommendations
Significant subsequent events

A review was also made to ascertain what action was taken by the Company with regard to comments contained in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations or rules, or that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

MBIA Insurance Corporation was incorporated as the National Bonding and Accident Insurance Company under the laws of the state of New York on March 23, 1967. On December 10, 1982, the MBL Corporation, a wholly-owned subsidiary of the Mutual Benefit Life Insurance Company, purchased all of the outstanding capital stock of National Bonding and Accident Insurance Company. In December 1986, the Company was sold to MBIA Inc., and adopted the name of Municipal Bond Investors Assurance Corporation. In April 1995, the Company changed its name to MBIA Insurance Corporation.

In 2004, MBIA UK Insurance Limited ("MBIA UK"), a wholly-owned subsidiary of MBIA Corp. incorporated in the United Kingdom, was established to write financial guarantee insurance in the European Economic Area and other select regions outside the U.S. It is authorized by the Prudential Regulation Authority ("PRA") and is regulated by the Financial Conduct Authority and by the PRA in the United Kingdom. During 2013, MBIA UK was placed in run-off status.

In February 2007, MBIA Mexico, S.A. de C.V. ("MBIA Mexico"), a subsidiary of MBIA Corp., was established to write financial guarantee insurance in Mexico. It is 99.9% owned by MBIA Corp. and 0.1% owned by MBIA Inc., and is subject to the insurance regulation and supervision by the Mexican Ministry of Finance and Public Credit (Secretaria de Hacienda y

Credito Public or "SHCP") and the Mexican Insurance and Bonds Commission (Comision Nacional de Seguros y Fianzas or "CNSF").

On February 17, 2009, the Department approved a restructuring (commonly referred to as "Transformation") of MBIA Corp. by which a separate U.S. public finance financial guaranty insurance company was established using MBIA Insurance Corp. of Illinois. MBIA Insurance Corp. of Illinois was a subsidiary of the Company; it was later re-domesticated to New York and renamed National. Ownership of National was transferred from the Company to a newly established intermediate holding company, National Public Finance Guarantee Holdings, Inc. a Delaware company, which is a subsidiary of MBIA Inc. National was capitalized with approximately $2.1 billion from funds distributed by the Company to MBIA Inc. as a dividend and return of capital, which MBIA Inc. then contributed to National through National Public Finance Guarantee Holdings, Inc.

In June 2009, a group of 18 financial institutions commenced a legal proceeding challenging the Department's actions in approving the Transformation. In March 2013, the Supreme Court of the State of New York dismissed this proceeding, thereby upholding the Department's decision to approve MBIA Corp.'s restructuring. Two of the financial institutions, Bank of America ("BoA") and Société Générale ("SocGen"), filed a notice of appeal. The same group of financial institutions also filed suit alleging that certain terms of the restructuring transactions constituted fraudulent conveyances and a breach of the implied covenant of good faith and fair dealing under New York law. In May 2013, MBIA Inc., MBIA Corp. and National entered into various settlement agreements with BoA and SocGen. As a result of these settlements, all litigation related to the restructuring of MBIA Corp. has been resolved.

Capital paid in of $290,908,269 is comprised of approximately $15 million of common stock and approximately $276 million of preferred stock. MBIA Corp. has 67,936 common shares authorized, issued and outstanding as of December 31, 2015, with a par value of $220.80 per share. MBIA Corp. has 2,759 shares of preferred stock issued and outstanding as of December 31, 2015, with a par value of $1,000 and a liquidation preference of $100,000 per share. Gross paid in and contributed surplus is $782,792,339. Gross paid in and contributed surplus increased by $2,509,942 during the examination period, as follows:

Year	Description		Amount
2012	Beginning gross paid in and contributed surplus		$780,282,397
2012	Surplus contribution	$1,501,460	
2013	Surplus contribution	670,254	
2014	Surplus contribution	318,633	
2015	Surplus contribution	19,595	
	Total surplus contributions*		2,509,942
2015	Ending gross paid in and contributed surplus		$782,792,339

*Surplus contributions relate to the amortization of stock option awards granted to employees

A. Management

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than seven nor more than 25 members. The board meets quarterly during each calendar year. At December 31, 2015, the board of directors was comprised of the following seven members:

Name and Residence	Principal Business Affiliation
Daniel M. Avitabile Darien, CT	Managing Director MBIA Insurance Corporation
Joseph W. Brown Bedford Corners, NY	Chief Executive Officer MBIA Inc. Chairman MBIA Insurance Corporation
C. Edward Chaplin Greenwich, CT	President, Chief Financial Officer and Chief Administrative Officer MBIA Inc.
Jonathan C. Harris New Rochelle, NY	Assistant Vice President, Deputy General Counsel, and Assistant Secretary MBIA Insurance Corporation
Anthony M. McKiernan Ridgefield, CT	Executive Vice President and Chief Portfolio Officer MBIA, Inc. President, Chief Operating Officer and Chief Risk Officer MBIA Insurance Corporation

Name and Residence	Principal Business Affiliation
Oliver E.W. North Redding, CT	Assistant Vice President, Treasurer and Chief Investment Officer MBIA Insurance Corporation
Gary A. Saunders Rye Brook, NY	Assistant Vice President, Deputy General Counsel, and Assistant Secretary MBIA Insurance Corporation

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended and each board member had an acceptable record of attendance.

As of December 31, 2015, the principal officers of the Company were as follows:

Name	Title
Joseph W. Brown	Chairman
Anthony M. McKiernan	President, Chief Operating Officer and Chief Risk Officer
Ram D. Wertheim	General Counsel, Secretary and Assistant Vice President
C. Edward Chaplin	Chief Financial Officer and Assistant Vice President
Douglas C. Hamilton	Controller and Assistant Vice President
Oliver E.W. North	Chief Investment Officer, Treasurer and Assistant Vice President

B. Territory and Plan of Operation

As of December 31, 2015, the Company was licensed in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and the Northern Mariana Islands. Its subsidiary, MBIA UK, when an active writer, wrote structured and public finance debt obligations primarily in the European Economic Union, and subsidiary, MBIA Mexico, when active, wrote a limited number of structured finance policies in Mexico.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

Paragraph	Line of Business
16	Fidelity and surety
17	Credit
25	Financial guaranty

Based on the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13, 41 and 69 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $66,400,000.

The following schedule shows the direct premiums written by the Company both in total and in New York for the period under examination:

Calendar Year	Premiums Written in New York State	Total Premiums Written*	Premiums Written in New York State as a Percentage of Total Premium
2012	$131,293,038	$205,479,416	63.90%
2013	$ 96,848,894	$143,987,987	67.26%
2014	$ 68,803,224	$109,555,160	62.80%
2015	$ 69,011,748	$ 98,145,961	70.32%

**All premiums written consists of installment premiums on legacy business*

The financial guarantees issued by MBIA Corp. provide an unconditional and irrevocable guarantee of payment when due of the principal, interest or other amounts owing on insured obligations. The Company's guarantee insure structured finance, asset backed obligations, credit default swaps, privately issued bonds used for the financing of public purpose projects located outside of the U.S., and obligations of sovereign-related and sub-sovereign issuers. The Company also insures certain guaranteed investment agreements ("GICs") and medium-term note liabilities ("MTNs") of affiliates, and guarantees of affiliate obligations under certain credit default swaps and other derivative contracts.

During the examination period, the Company has been actively managing its legacy portfolio, which continues to decline. The Company's total insured gross par outstanding was

$41.6 billion as of December 31, 2015, a reduction of approximately 71% from $141.4 billion as of December 31, 2011. The Company's other activities include:

- Reducing future expected economic losses in the insured portfolio through commutations and other risk mitigation strategies;
- Recovering losses on insured residential mortgage-backed securities ("RMBS") transactions related to the failure of RMBS sellers/servicers to honor their contractual obligation to repurchase ineligible mortgage loans from securitizations that the Company insured (in 2013, the Company settled almost all of these "put-back" claims); and
- Managing liquidity.

C. Reinsurance

Assumed

Assumed reinsurance accounted for approximately 6% of the Company's gross premium written as of December 31, 2015. During the period covered by this examination, the Company's assumed reinsurance business in proportion to direct premiums written has increased since the last examination due to a decline in direct premiums written. The Company utilizes reinsurance accounting as defined in Statement of Statutory Accounting Principle ("SSAP") No. 62 for all of its assumed reinsurance business.

The Company maintains a reinsurance and net worth maintenance agreement with MBIA Mexico, amended and restated effective September 14, 2007. Pursuant to the terms of the agreement, the Company agrees to assume from MBIA Mexico 100% of its net liability on financial guaranty business, and will cause MBIA Mexico to maintain at least $10 million in capital.

During the examination period, the Company also maintained an excess of loss reinsurance agreement and net worth maintenance agreement with MBIA UK; however, these agreements were commuted and terminated effective December 21, 2015.

Ceded

Since 2008, the Company has not renewed any of its existing reinsurance treaties that were then in effect.

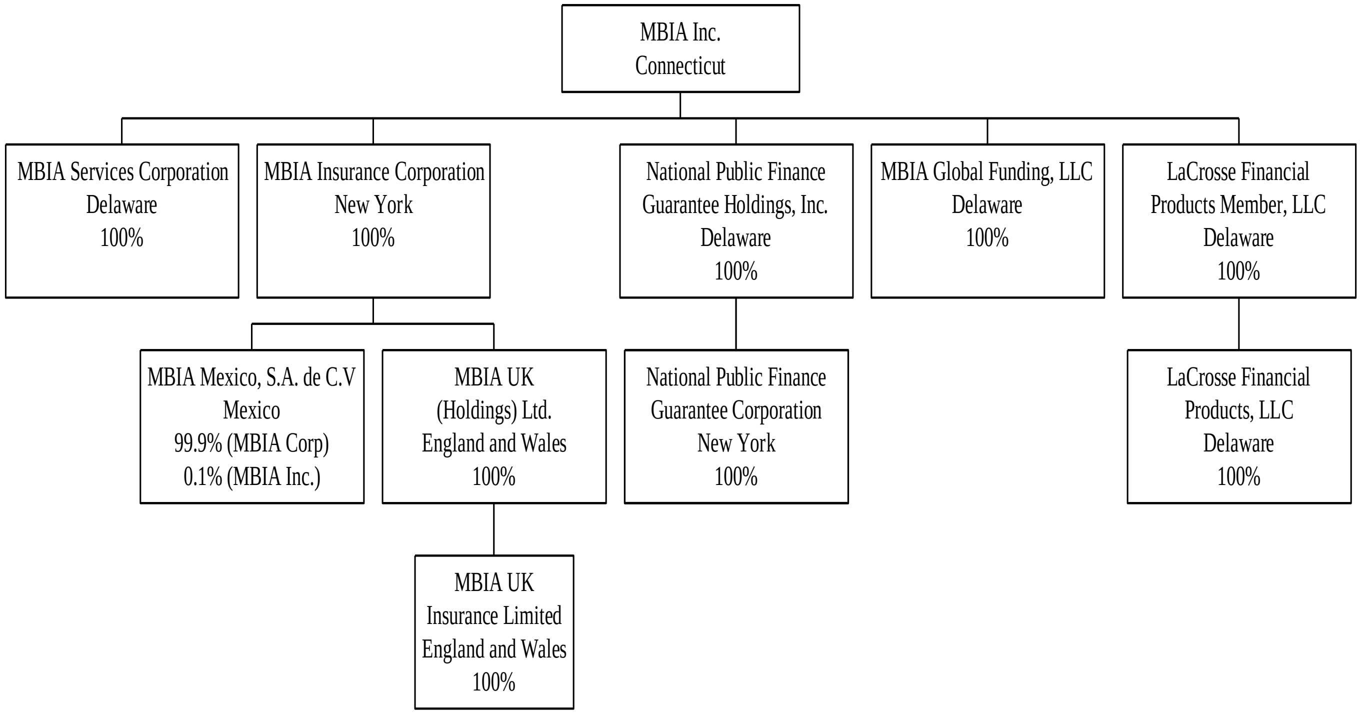
MBIA Corp. (as part of the restructuring described in Section 2 of this report), entered into a 100% quota share reinsurance agreement with National, effective January 1, 2009. Per the terms of the agreement, MBIA Corp. ceded all of its U.S. public finance exposure to National.

All affiliated reinsurance agreements were filed with the Department pursuant to the provisions of Section 1505 of the New York Insurance Law.

D. Holding Company System

The Company is a wholly-owned subsidiary of MBIA Inc., a Connecticut corporation, with its principal executive offices in Purchase, New York. A review of the Holding Company Registration Statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is an abridged chart of the holding company system on December 31, 2015:


MBIA Inc.
Connecticut
MBIA Services Corporation
Delaware
100%
MBIA Insurance Corporation
New York
100%
National Public Finance
Guarantee Holdings, Inc.
Delaware
100%
MBIA Global Funding, LLC
Delaware
100%
LaCrosse Financial
Products Member, LLC
Delaware
100%
MBIA Mexico, S.A. de C.V
Mexico
99.9% (MBIA Corp)
0.1% (MBIA Inc.)
MBIA UK
(Holdings) Ltd.
England and Wales
100%
National Public Finance
Guarantee Corporation
New York
100%
LaCrosse Financial
Products, LLC
Delaware
100%
MBIA UK
Insurance Limited
England and Wales
100%

As of December 31, 2015, the Company was party to the following agreements, with other members of its holding company system:

Master Services Agreement with MBIA Services Corporation ("MSC")

MSC (formerly known as Optinuity Alliance Resources Corporation), created in the first quarter of 2010, provides support services such as management, legal, accounting, treasury, and information technology for all business written or reinsured and all other authorized activities of MBIA Corp.

Tax Allocation Agreement

The Company is party to a tax allocation agreement with members of its holding company system effective January 1, 1987. The agreement was amended and restated effective September 8, 2011 to change the method of calculating each domestic insurer's tax liability to the method permitted by paragraph 3(a) of Department Circular Letter # 33 (1979).

Net Worth Maintenance Agreement with MBIA Mexico

Effective September 14, 2007, MBIA Corp. and its subsidiary MBIA Mexico entered into a net worth maintenance agreement under which MBIA Corp. agrees to maintain the net worth of MBIA Mexico in an amount equal to the higher of its current capital required by the regulatory authorities of Mexico, or $10,000,000. However, any contributions made by MBIA Corp. for such purpose when added to contributions to other insurance subsidiaries for similar purposes shall in no event exceed 35% of MBIA Corp.'s policyholders' surplus.

Agreement with LaCrosse Financial Products, LLC ("LaCrosse")

MBIA Corp. provides credit support and issues financial guaranty policies on credit derivative instruments entered into by LaCrosse. LaCrosse became an affiliate of MBIA Corp. during the fourth quarter of 2009. The outstanding notional amount of insured CDS contracts entered into by LaCrosse was $3.2 billion as of December 31, 2015.

Sub-lease Agreement with National

In May 2014, MBIA Corp. entered into a sub-lease agreement with National to sublease space from National at the home office located in Purchase, New York. Per the terms of the sub-lease agreement, MBIA Corp. pays rent equal to its proportionate share of the fixed annual rent, additional rent, and tenant improvement costs specified in the prime lease held by National.

All agreements subject to Article 15 of the New York Insurance Law were submitted to the Department.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2015, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	14%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	48%
Two year overall operating ratio	99%

All of the above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

The underwriting ratios presented below are on an earned/incurred basis and encompass the four-year period covered by this examination:

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$1,784,041,369	252.16%
Other underwriting expenses incurred	142,431,588	20.13
Net underwriting loss	(1,218,963,775)	(172.29)
Premiums earned	$ 707,509,182	100.00%

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2015 as reported by the Company:

	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$ 92,449,664	$ 0	$ 92,449,664
Common stocks	475,050,781	75,156,312	399,894,469
Cash, cash equivalents and short-term investments	299,212,485	0	299,212,485
Receivables for securities	65,436	65,436	0
Investment income due and accrued	858,774	0	858,774
Uncollected premiums and agents' balances in the course of collection	1,020,852	991,646	29,206
Amounts recoverable from reinsurers	159,854	110	159,744
Current federal and foreign income tax recoverable and interest thereon	333,310	0	333,310
Electronic data processing equipment and software	921,368	718,777	202,591
Furniture and equipment, including health care delivery assets	7,159	7,159	0
Receivables from parent, subsidiaries and affiliates	3,508,079	0	3,508,079
Prepaid expenses and other non-admitted assets	1,379,768	1,379,768	0
Step-up premium and interest on premiums not yet due and billed	35,826,211	35,826,211	0
Other assets	193,487	0	193,487
Total assets	$910,987,228	$114,145,419	$796,841,809

Liabilities, Surplus and Other Funds

Losses and loss adjustment expenses	$(331,150,187)
Other expenses (excluding taxes, licenses and fees)	4,109,405
Taxes, licenses and fees (excluding federal and foreign income taxes)	1,546,986
Unearned premiums	228,741,811
Ceded reinsurance premiums payable (net of ceding commissions)	3,341,698
Amounts withheld or retained by company for account of others	3,447,815
Payable to parent, subsidiaries and affiliates	1,243,786
Contingency reserve	276,466,675
Other liability	2
Total liabilities	$187,747,991
Surplus and other funds	
Common capital stock	15,000,269
Preferred common stock	275,908,000
Surplus notes	952,655,000
Gross paid in and contributed surplus	782,792,339
Unassigned funds (surplus)	(1,417,261,790)
Surplus as regards policyholders	609,093,818
Total liability, surplus and other funds	$796,841,809

Note: The Internal Revenue Service has not audited or scheduled an audit for the examination period. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

The Company's net loss during the four-year examination period January 1, 2012 through December 31, 2015 was $(1,347,955,525), detailed as follows:

Underwriting Income		
Premiums earned		$ 707,509,182
Deductions:		
Losses and loss adjustment expenses incurred	$1,784,041,369	
Other underwriting expenses incurred	142,431,588	
Total underwriting deductions		1,926,472,957
Net underwriting gain or (loss)		$(1,218,963,775)
Investment Income		
Net investment income earned	$(217,395,364)	
Net realized capital gain	47,158,793	
Net investment gain or (loss)		$ (170,236,571)
Other Income		
Foreign exchange on premium	$40,859,489	
Miscellaneous income	10,007,927	
Total other income		$ 50,867,416
Net income (loss) after dividends to policyholders and before federal and foreign income taxes		$(1,338,332,930)
Federal and foreign income taxes incurred		9,622,595
Net loss		$(1,347,955,525)

C. Capital and Surplus

Surplus as regards policyholders decreased $987,462,199 during the four-year examination period January 1, 2012 through December 31, 2015, detailed as follows:

Surplus as regards policyholders per report on examination as of December 31, 2011			$1,596,556,017
	Gains in Surplus	Losses in Surplus	
Net loss		$1,347,955,525	
Net unrealized capital gains or (losses)	$131,978,187		
Change in net unrealized foreign exchange capital gain (loss)		37,180,801	
Change in non-admitted assets		108,641,489	
Surplus adjustments paid in	2,509,942		
Correction of error		58,126,358	
Change in contingency reserve	429,953,845	0	
Net increase (decrease) in surplus	$564,441,974	$1,551,904,173	$(987,462,199)
Surplus as regards policyholders per report on examination as of December 31, 2015			$ 609,093,818

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination negative liability for the captioned items of ($320,865,767), is the same as that reported by the Company as of December 31, 2015. The case and salvage reserves were determined to be adequate.

The Capital Markets Division utilized the assistance of an independent financial advisory firm that specializes in complex assets to review the adequacy of the Company's modeling, assumptions, and surveillance policies and procedures as of December 31, 2015, to determine the Company's adequacy of loss reserves. For structured products, all policies were independently evaluated for losses and salvage. For international public finance obligations, 14 of 18 separate obligors with debt outstanding whose lowest ratings were A- and below, representing 84% of the total gross par outstanding of this target group, including the three largest exposures, were reviewed.

Among the key liabilities with potential for future adverse loss and claims development are the structured products for residential real estate, a "triple X" life insurance reserves securitization, and a collateralized loan obligation.

The Company's estimate of reserves for losses on its exposures is based on certain assumptions. Changes in such assumptions could materially adversely affect such reserve estimates, including, but not limited to, the result of more adverse macroeconomic conditions, the outcome of litigation, and the amount and timing of any claims. Under certain conditions, many of which are event-driven and outside the control of the Company, these exposures may result in significant increases in claims beyond those assumed in the Company's reserve estimate (which may or may not result in an increase in such loss reserves), as well as less than expected recoveries in the near to medium term. In addition, the value of its investment portfolio could decline and have a materially adverse effect.

5. SUBSEQUENT EVENTS

On September 29, 2016, the Company announced that its wholly-owned subsidiary, MBIA UK Holdings Ltd, entered into an agreement to sell its operating subsidiary, MBIA UK, to Assured Guaranty Corp. ("Assured"), a subsidiary of Assured Guaranty Ltd. The purchase price consists of a transfer to MBIA UK Holdings of notes issued by Zohar II 2005-1 CLO ("Zohar II") with an aggregate outstanding principal amount of approximately $347 million, plus a cash payment to Assured from MBIA Corp. of $23 million. The transaction was subject to regulatory approvals of the Department, the Prudential Regulatory Authority of the United Kingdom, and the Maryland Insurance Administration, and was completed in January 2017. Additionally, a loan facility was established in January 2017 to assist in the payment of the Zohar II loans. As a result, MBIA Corp. had sufficient cash to pay the Zohar II claim.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained the following comments as follows (page numbers refer to the prior report):

ITEM		PAGE NO.
A	**Put-back litigation and recoveries** The examiner commented that MBIA Corp. had also entered into a plan support agreement with the ResCap estate, its other major creditors and Ally that, if approved, will resolve MBIA Corp.'s put-back claims against the ResCap estate and Ally. During the examination period, the Company resolved its put-back claims against the ResCap estate and Ally.	28
B	**Liquidity** The examiner commented that the Company's liquidity requirements may exceed its ability to draw on liquidity sources. The Company continues to manage its liquidity requirements, and a similar comment is made in this report on examination.	29
C	**Litigation** The examiner commented that all litigation brought originally by the group of 18 domestic and international financial institutions related to the restructuring of MBIA Corp. and the capitalization of National has been resolved. Furthermore, MBIA Corp., Bank of America and Flagstar reached agreements to resolve MBIA Corp.'s put-back litigation against those entities. The Company has one outstanding put-back claim regarding HEMT 2007-2 against Credit Suisse.	30

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

The examiner reviewed and evaluated certain risks that existed as of the examination date, and also assessed certain prospective risks that are anticipated to arise or extend past the examination completion date. The Company monitors on an ongoing basis prospective risks, including the following:

Liquidity Risk

The Company satisfied a claim of $770 million of MBIA-insured notes issued by Zohar II 2005-1 (“Zohar II”), a collateralized loan obligation that matured in January 2017. In November 2015, the Company paid a claim of approximately $150 million on the insured class A-1 and A-2 notes issued by Zohar I 2003 (“Zohar I”). In order to satisfy the Zohar II claim, MBIA received Zohar II notes with a market value of approximately $331 million (with a face value of approximately $347 million) owned by Assured in exchange for the sale to Assured of MBIA UK and a payment of $23 million. The balance of the claim was paid with cash from a $363 million loan facility, which will mature on January 20, 2020, and approximately $60 million of the Company’s own cash. The ability to repay the loan facility is dependent on recoveries from Zohar I, Zohar II, and the results of various litigation in which the Company is involved.

Legal Risk

Due to the nature of the Zohar I transaction, the Company is entitled to seek reimbursement of the claim payment on the insured Zohar I notes, including interest and expenses, and to exercise certain rights and remedies. Litigation by Patriarch Partners XV, LLC with respect to Zohar I in its capacity as a holder of the A-3 notes issued by Zohar I, commenced in 2015. Additional litigation has or may be filed by or against the Company or the Zohar Funds, with respect to both Zohar I and Zohar II. To the extent litigation exists, and a global resolution is not reached, the Company’s ability to exercise its rights and remedies and to monetize the deals’ collateral may be delayed or impaired. Additionally, the longer the delay in monetizing the collateral, the greater the possibility of diminished returns.

Respectfully submitted,

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Karen Gard, CFE
Associate Insurance Examiner

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

Karen Gard, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

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Karen Gard

Subscribed and sworn to before me

this__________ day of ____________________, 2017.

APPOINTMENT NO. 31472

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **Maria T. Vullo**, Acting Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

Karen Gard

as a proper person to examine the affairs of the

MBIA Insurance Corporation

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

COMPANY

with such other information as she shall deem requisite.

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

this 12th day of April, 2016

Maria T. Vullo
Acting Superintendent of Financial Services

By: Eileen Fox

Eileen Fox
Assistant Chief Examiner