REPORT ON EXAMINATION

OF

NATIONAL PUBLIC FINANCE GUARANTEE CORPORATION

AS OF

DECEMBER 31, 2011

DATE OF REPORT	JUNE 28, 2013
EXAMINER	JUNJIE PAN

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NEW YORK STATE
DEPARTMENT of
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

June 28, 2013

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law (NYIL), and in compliance with the instructions contained in Appointment Number 30831 dated February 14, 2012, attached hereto, I have made an examination into the condition and affairs of National Public Finance Guarantee Corporation as of December 31, 2011, and submit the following report thereon.

Wherever the designation "the Company," "National" or "NPFG" appears herein without qualification, it should be understood to indicate National Public Finance Guarantee 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 113 King Street, Armonk, NY 10504.

1. SCOPE OF EXAMINATION

The Department has performed an individual examination of the Company, a multi-state insurer. The previous examination was conducted by the Illinois Department of Insurance and the New York Department of Insurance as of December 31, 2007. The Company has since re-domesticated from Illinois to New York effective December 1, 2009. This examination covered the two-year period from January 1, 2010 through December 31, 2011. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook ("Handbook"), which provides 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 of the Company's own control environment assessment and an 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 and a listing of the following items as called for in the Handbook:

Company history
Management
Territory and plan of operation
Reinsurance
Financial statements
Loss experience
Summary of comments and recommendations, including significant prospective risks

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations 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

National Public Finance Guarantee Corporation was incorporated as Inland National Insurance Company under the laws of the state of Illinois on December 28, 1959 and began business March 9, 1960. The name was changed on December 17, 1984 to Bond Investors Guaranty Insurance Company, which was then a subsidiary of Bond Investors Group (BIG).

Effective January 5, 1990, MBIA Inc. purchased all the outstanding shares of BIG, the Company's former parent. MBIA Inc. then contributed the stock of BIG to its subsidiary, Municipal Bond Investors Assurance Corporation now known as MBIA Insurance Corporation ("MBIA Corp."). Subsequent to the contribution, BIG was liquidated, making MBIA Corp. the direct parent of the Company. The Company changed its name to MBIA Insurance Corporation of Illinois ("MBIA IL") on August 21, 1990.

On February 17, 2009, the New York State Insurance Department approved a restructuring of MBIA IL and MBIA Corp. As part of the restructuring, the stock of MBIA IL was transferred to a newly established intermediate holding company, National Public Finance Guarantee Holdings, Inc. ("National Holdings"), which is wholly owned by MBIA Inc. National was capitalized with approximately $2.1 billion from funds distributed by MBIA Corp. to MBIA Inc. as a dividend and return of capital, which MBIA Inc. then contributed to National through National Holdings. Effective December 1, 2009, the Company redomesticated from Illinois to New York and changed its name to National Public Finance Guarantee Corporation.

In February 2010, National established National Real Estate Holdings of Armonk, LLC, a wholly-owned subsidiary of National in order to purchase MBIA Corp.'s interest in certain real estate for purposes of conducting National's business and leasing its property to certain affiliates.

Common capital stock paid in of $15,000,000 is comprised of 500,000 authorized common shares at $30 par value, all of which were issued and outstanding at December 31, 2011. Gross paid in and contributed surplus is $574,441,220. Gross paid in and contributed surplus did not change during the examination period.

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 7 or more than 21 members. The board meets 4 times during each calendar year. At December 31, 2011, the board of directors was comprised of the following 7 members:

Name and Residence	Principal Business Affiliation
William C. Fallon Rye, NY	President and Chief Executive Officer National Public Finance Guarantee Corporation
Ram D. Wertheim Westport, CT	Executive Vice President, Chief Legal Officer MBIA Inc.
Douglas C. Hamilton Armonk, NY	Managing Director and Controller MBIA Inc.
Lester H. McKeever, Jr. Chicago, IL	Managing Principal, Washington, Pittman and McKeever LLC
Andrea E. Randolph Stamford, CT	Managing Director, Chief Technology Officer MBIA Inc.
Ernest R. Wish Chicago, IL	CPA, BSC, MBA, PhD, Retired
Sandra Polk Guthman Chicago, IL	Director, Polk Bros. Foundation

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, 2011, the principal officers of the Company were as follows:

Name	Title
William C. Fallon	President and Chief Executive Officer
Christopher H. Young	Managing Director, Chief Financial Officer and Treasurer
Daniel E. McManus, Jr.	Managing Director, General Counsel and Secretary
Adam T. Bergonzi	Managing Director, Chief Risk Officer and Assistant Secretary

B. Territory and Plan of Operation

As of December 31, 2011, the Company was licensed to write business in all fifty states, the District of Columbia and Puerto Rico.

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

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 NYIL, 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	New York State	Total Direct Premiums Written	Direct Premiums Written in New York State as a percentage of Total Premium
2010	$3,142	$22,147	14.19%
2011	$1,396	$1,396	100.00%

National has not written any meaningful amount of business since its formation in 2009. However, National's written premiums consist of upfront premiums and installment premiums received and accrued for policies issued in prior years.

National’s financial guaranty insurance provides an unconditional and irrevocable guarantee of the payment of the principal of, and interest or other amounts owing on, insured obligations when due or, in the event that National has the right, at its discretion, to accelerate insured obligations upon default or otherwise, upon such acceleration by National.[1] National’s financial guaranties insure public finance exposures, such as municipal bonds, including tax-exempt and taxable indebtedness of U.S. political subdivisions, as well as utility districts, airports, health care institutions and higher education facilities.

The lack of new insurance writings reflects the insurance financial strength credit ratings assigned to National by the credit rating agencies. As of December 31, 2011, National was rated BBB with a developing outlook by Standard & Poor’s Financial Services, LLC (“S&P”). On February 28, 2013, S&P lowered its rating to BB from BBB with a developing outlook. In December 2011, National was downgraded to Baa2 with a negative outlook by Moody’s Investor Services, Inc. (“Moody’s”).

As a result of the termination of the litigation related to the 2009 restructuring and MBIA Inc.’s settlement with Bank of America and Société Générale, S.A. (“Société Générale”), in May 2013, S&P raised its financial strength rating on National to A from BBB.

On May 21, 2013, Moody’s upgraded the insurance financial strength of National to Baa1 from Baa2 with a positive outlook. The rating upgrade reflects the improved credit profit following the repayment of the secured loan from MBIA Corp. and the termination of the 2009 restructuring litigation.

C. Reinsurance

Assumed reinsurance accounted for 100% of the Company’s gross premium written at December 31, 2011. During the period covered by this examination, the Company’s assumed reinsurance business has decreased. Substantially all of the Company’s written premiums arise from the quota share reinsurance agreement with MBIA Corp. described below. The Company utilizes

[1] Annual Statement for 2011: Notes to Financial Statement No. 1 (C) (11) page 14.

reinsurance accounting as defined in Statement of Statutory Accounting Principle ("SSAP") No. 62 for all of its assumed reinsurance business.

In February 2009, as part of the restructuring, the Company and MBIA Corp. entered into a quota share reinsurance agreement effective January 1, 2009 pursuant to which MBIA Corp. ceded all of its U.S. public finance exposure to National. National and MBIA Corp. also entered into an assignment agreement under which MBIA Corp. assigned its rights and obligations with respect to the U.S. public finance business that MBIA Corp. had assumed from Financial Guaranty Insurance Company (“FGIC”). The reinsurance and assignment enables covered policyholders and certain ceding reinsurers to make claims for payment directly to National in accordance with the terms of these agreements. National also issued second-to-pay policies for the benefit of the policyholders covered under these reinsurance and assignment agreements. These second-to-pay policies, which are direct obligations of National, are held by a trustee and provide that if MBIA Corp. or FGIC, as applicable, do not pay valid claims of their policyholders, the policyholders will then be able to make claims directly to National.

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the NYIL. It was noted that all affiliated reinsurance agreements were filed with the Department pursuant to the provisions of Section 1505 of the NYIL.

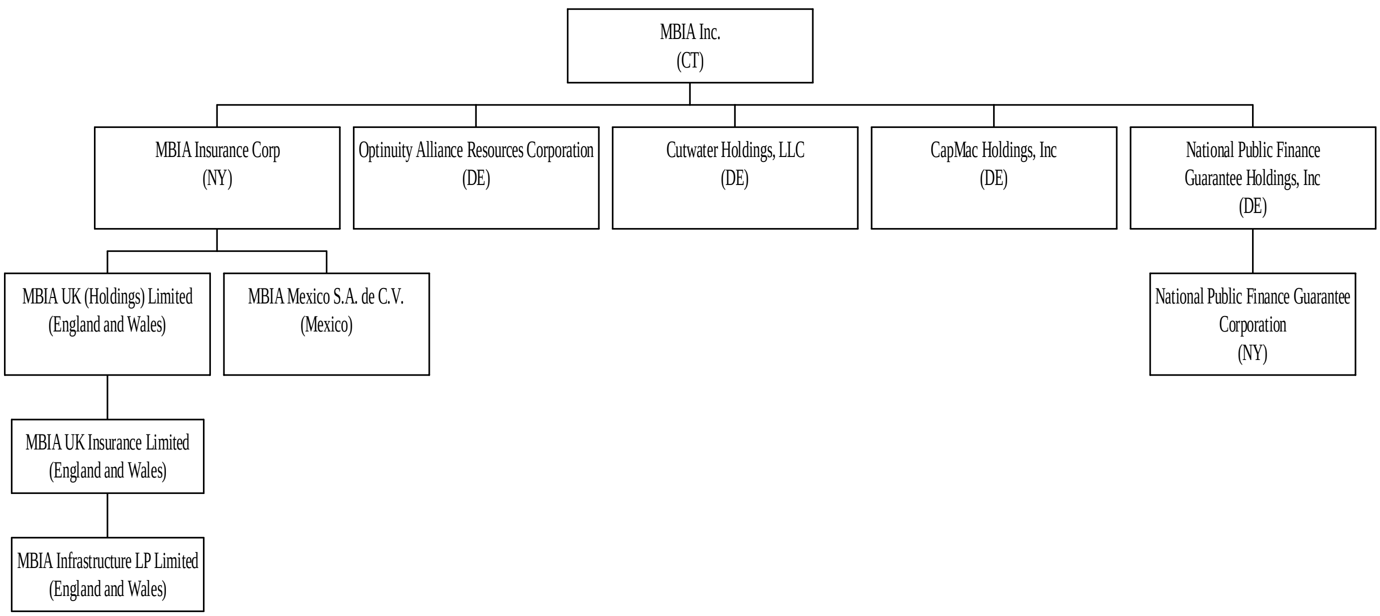
During the first quarter of 2010, National received $13 million in excess of payments that were contractually due to National upon the termination of a reinsurance agreement between MBIA Corp. and Mitsui Sumitomo Insurance Co. Ltd. The payment was recognized as a realized gain.

During 2011, National discovered an error in the recognition of net premiums earned related to refunding activities prior to December 31, 2010 on reinsurance between National and MBIA Corp. Certain financial guaranty policies ceded by MBIA Corp. and assumed by National were subsequently found to have been refunded by the issuers of the insured obligations prior to the date of the reinsurance agreement, which was January 1, 2009, and related premiums should have been returned to and earned by MBIA Corp. but were instead earned by National. As a result of the error, National’s Policyholders Surplus as of December 31, 2010 was overstated by approximately $54 million. The error was corrected, and recorded as a reduction to surplus of approximately $54 million in 2011. The settlement of premium of $113 million back to MBIA Corp. from National occurred on November 7, 2011.

D. Holding Company System

National is a wholly-owned subsidiary of MBIA Inc. through an intermediary holding company, National Holdings. A review of the filed Holding Company Registration Statements indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the NYIL and Department Regulation 52.

The following is a chart of certain entities in the holding company system at December 31, 2011:



At December 31, 2011, the Company was party to the following agreements, among others, with other members of its holding company system:

Assignment of Administrative Services Agreement with Cutwater Asset Management and Cutwater Investor Services Corp.

National's investment portfolio is managed by Cutwater Investor Services Corp. (Cutwater-CISC), which is a wholly-owned subsidiary of MBIA Inc., and provides fixed-income investment management services for MBIA Inc. and its affiliates, as well as third-party institutional clients. Prior to January 2011, Cutwater Asset Management Corp. (Cutwater-AMC) managed National's investment portfolio, which was assigned to Cutwater-CISC in January 2011. The assignment was amended effective on March 17, 2011 to state that the agreement may not be assigned, modified or amended without prior non-disapproval of the Department. The above mentioned assignment agreement did not require approval as the assignment was consistent with the underlying agreement, as amended (which permitted assignment to an affiliate).

Repurchase and Reverse Repurchase Agreement ("Asset Swap") with MBIA Inc.

In the first quarter of 2009, National entered into an agreement with MBIA Inc. whereby National held securities under agreements to resell and under agreements to repurchase up to $2.0 billion based on the fair value of the securities borrowed by MBIA Inc. The Asset Swap provides MBIA Inc. with eligible assets to pledge under investment agreement contracts. The amount utilized as of December 31, 2011 and 2010 was $1.3 billion and $1.8 billion, respectively. These agreements reset on a quarterly basis and were approved by the Department in accordance with Section 1505 of the NYIL.

Loan Agreement with MBIA Insurance Corporation

As of December 12, 2011, National entered into a secured loan agreement with MBIA Corp. under which MBIA Corp. borrowed $1.1 billion at a fixed annual interest rate of 7%, with a maturity date of December 2016. MBIA Corp. has the option to defer payments of interest when due by capitalizing interest amounts to the loan balance, subject to the collateral value exceeding certain thresholds. The secured loan was approved by the Department pursuant to Section 1505 of the NYIL, and in May 2013 it was repaid and the agreement terminated.

Master Services Agreement with Optinuity Alliance Resources ("Optinuity")

Optinuity, created in the first quarter of 2010, provides support services such as management, legal, accounting, treasury, information technology, among others, on a fee-for-service basis. The agreement was submitted to the Department for review and non-disapproval pursuant to Section 1505 of the NYIL.

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). The agreement was submitted to the Department for review and non-disapproval pursuant to Section 1505 of the NYIL.

Lease Agreement

On February 2, 2010, National established National Real Estate Holdings of Armonk, LLC ("NREHA"), and on March 1, 2010, contributed to NREHA certain real estate used for purposes of conducting National's business and leasing to certain affiliates. National contributed the real estate at book value to NREHA. In March 2010, NREHA entered into lease agreements with certain of its affiliates including MBIA Corp, Cutwater-AMC, and Optinuity. The agreement was submitted to the Department for review and non-disapproval pursuant to Section 1505 of the NYIL.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2011, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	0%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	96%
Premiums in course of collection to surplus as regards policyholders	0%

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 two-year period covered by this examination (2010-2011):

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$57,282,492	7.87%
Other underwriting expenses incurred	122,148,127	16.77%
Net underwriting gain	548,908,193	75.36%
Premiums earned	$728,338,812	100.00%

F. Accounts and Records

There are no accounts and records recommendations.

G. Risk Management and Internal Controls

There are no adverse findings regarding risk management and internal controls.

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2011 as determined by this examination and as reported by the Company:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$3,271,422,319	$0	$3,271,422,319
Preferred stocks (stocks)	5,483,800	0	5,483,800
Common stocks (stocks)	153,851,230	0	153,851,230
Cash, cash equivalents and short-term investments	1,963,946,148	0	1,963,946,148
Other invested assets	70,000,472	0	70,000,472
Receivables for securities	616,204	485,853	130,351
Aggregate write-ins for invested assets	1,130,000,000	0	1,130,000,000
Subtotals, cash and invested assets	$6,595,320,173	$485,853	$6,594,834,320
Investment income due and accrued	38,551,655	0	38,551,655
Net deferred tax asset	566,265,280	557,968,892	8,296,388
Electronic data processing equipment and software	258,321	258,321	0
Furniture and equipment, including health care delivery assets	35,975	35,975	0
Receivables from parent, subsidiaries and affiliates	14,391,538	0	14,391,538
Aggregate write-ins for other than invested assets	733,384	732,802	582
Totals	$7,215,556,326	$559,481,843	$6,656,074,483

Liabilities, surplus and other funds

Losses and Loss Adjustment Expenses	($3,358,830)
Other expenses (excluding taxes, licenses and fees)	11,765,139
Current federal and foreign income taxes	12,194,600
Unearned premiums	2,484,900,153
Ceded reinsurance premiums payable (net of ceding commissions)	32
Amounts withheld or retained by company for account of others	1,118,574
Payable to parent, subsidiaries and affiliates	835,269
Payable for securities	2,104,941
Aggregate write-ins for liabilities	2,722,852,493
Total liabilities	$5,232,412,371
Aggregate write-ins for special surplus funds	$0
Common capital stock	15,000,000
Gross paid in and contributed surplus	574,441,220
Unassigned funds (surplus)	834,220,892
Surplus as regards policyholders	$1,423,662,113
Totals	$6,656,074,483

B. Statement of Income and Changes in Surplus

Surplus as regards policyholders increased $770,232,561 during the two-year examination period January 1, 2010 through December 31, 2011, detailed as follows:

Underwriting Income for two year period		
Premiums earned		$728,338,812
Deductions:		
Losses and loss adjustment expenses incurred	$57,282,492	
Other underwriting expenses incurred	135,511,425	
Aggregate write-ins for underwriting deductions	(13,363,298)	
Total underwriting deductions		179,430,619
Net underwriting gain or (loss)		$548,908,193
Investment Income		
Net investment income earned	$435,359,081	
Net realized capital gain	126,460,314	
Net investment gain or (loss)		$561,819,395
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$0	
Finance and service charges not included in premiums	0	
Aggregate write-ins for miscellaneous income	(31,250)	
Total other income		($31,250)
Net income before dividends to policyholders and before federal and foreign income taxes		$1,110,696,338
Dividends to policyholders		0
Net income after dividends to policyholders but before federal and foreign income taxes		$1,110,696,338
Federal and foreign income taxes incurred		224,003,832
Net Income		$886,692,506

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders per report on examination as of December 31, 2009			$653,429,552
Net income	$886,692,506		
Net transfers (to) from protected cell accounts			
Net unrealized capital gains or (losses)		(2,688,689)	
Change in net unrealized foreign exchange capital gain (loss)			
Change in net deferred income tax		(32,234,476)	
Change in nonadmitted assets	16,379,847		
Change in provision for reinsurance			
Change in surplus notes			
Surplus (contributed to) withdrawn from protected cells			
Cumulative effect of changes in accounting principles			
Capital changes paid in			
Capital changes transferred from surplus (stock dividend)			
Capital changes transferred to surplus			
Surplus adjustments paid in		(1,624,904,009)	
Surplus adjustments transferred to capital (stock dividend)			
Surplus adjustments transferred from capital			
Net remittances from or (to) home office			
Dividends to stockholders			
Change in treasury stock			
Aggregate write-ins for gains and losses in surplus	1,526,987,382		
Net increase (decrease) in surplus	$2,430,059,735	$(1,659,827,174)	$770,232,561
Surplus as regards policyholders per report on examination as of December 31, 2011			$1,423,662,113

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination contra liability for the captioned items of ($3,358,830) is the same as reported by the Company as of December 31, 2011. 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 National's modeling, assumptions and surveillance policies and procedures as of December 31, 2011, and to determine National's adequacy of loss reserves.

To ensure proper coverage of risk factors, the portfolio was segregated into sectors. Rating levels were used to further segment each sector, so that the review focused on credits rated below the A category and credits that were non-rated. The portfolio was filtered for weakening economic and demographic trends. For some sectors, additional specific characteristics guided the reviews. For example, recent changes in California's redevelopment agency law mandated analyses that were not ratings-driven.

All obligors with aggregate exposures equal to or greater than $500 million of insured par were reviewed. Upon reviewing the portfolio, an independent credit concern list was created, losses were evaluated based on that list and results were compared to National's. All swap, floating rate, and debt service reserve policies were examined for the potential to create a liquidity draw on National.

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 as a result of more adverse macroeconomic conditions, the bankruptcies of issuers of insured bonds or swap counterparties, 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). In addition, the value of the Company's investment portfolio could change and have a materially adverse effect.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

This is the first statutory examination conducted by the Department. Therefore, there are no prior report comments.

6. 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 the following prospective risks.

Litigation Risk

In June 2009, a group of financial institutions commenced a legal proceeding challenging the Department's February 2009 approval of the restructuring of MBIA Corp., the related capitalization of the Company and the reinsurance agreement pursuant to which MBIA Corp. ceded all of its U.S. public finance exposure to NPFG ("Article 78 proceeding"). In March 2013 the Supreme Court of the State of New York dismissed the Article 78 proceeding thereby upholding the Department's decision to approve the restructuring of MBIA Corp. and NPFG. The two remaining financial institution petitioners, Bank of America and Société Générale filed a notice of appeal of the judge's decision. The same group of financial institutions also sued MBIA Corp., National and MBIA Inc. under New York debtor creditor law alleging that certain of the terms of the transactions constituted fraudulent conveyances and a breach of the implied covenant of good faith and fair dealing under New York law ("plenary action").

Following the settlement agreements with Société Générale and Bank of America, all litigation brought originally by the group of domestic and international financial institutions related to the restructuring of MBIA Corp. and NPFG has been resolved.

Prior to the settlement of the litigation, the management of National operated the Company as a going concern with the expectation that National would achieve ratings upgrades after the uncertainty of the restructuring litigation and MBIA Corp.'s put-back litigation would be resolved. As a result of the termination of the litigations, both S&P and Moody's have raised their financial strength ratings on National to A and Baa1, respectively.

Liquidity Risk – Loans to Affiliates[2]

During the year ended December 31, 2012, MBIA Corp. borrowed an additional $443 million under the secured loan agreement with National. This additional borrowing was approved by the

[2] Annual Statement for the Year 2012, Notes to the Financial Statements No. 10, page 14.11.

Department on the same terms as the original loan to enable MBIA Corp. to fund additional commutations of its insurance policies. As of December 31, 2012, the outstanding principal amount, which includes capitalized interest under the loan, was $1.7 billion

On May 6, 2013, MBIA Inc. and Bank of America agreed to the terms of a comprehensive settlement agreement, pursuant to which MBIA Corp. agreed to dismiss its put-back litigation against Countrywide, and Bank of America (and its subsidiary, Merrill Lynch) agreed to withdraw from lawsuits against MBIA Inc., MBIA Corp. and National (including the Article 78 proceeding and the plenary action). As part of the settlement, MBIA Corp. received a net payment of approximately $1.7 billion consisting of approximately $1.6 billion in cash and $136 million principal amount of MBIA Inc.'s 5.70% Senior Notes due 2034. As a result of the settlement with Bank of America and an additional put-back litigation settlement with Flagstar, the secured loan with MBIA Corp. was repaid in full and the agreement was terminated, and Bank of America withdrew from the lawsuits challenging MBIA Corp.'s restructuring. Subsequently the last remaining petitioner, Société Générale, also agreed to withdraw from the litigation.

As of December 31, 2012, the notional amount utilized under the Asset Swap with MBIA Inc. was $481 million and the fair value of the collateral pledged by National and MBIA Inc. under these agreements was $502 million and $529 million, respectively. National has committed to the Department to use commercially reasonable efforts to reduce the amount of the Asset Swap over time.

Respectfully submitted,

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Junjie Pan, CPA, CFE, CPU, FLMI

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

Junjie Pan, being duly sworn, deposes and says that the foregoing report, subscribed by him is true to the best of his knowledge and belief.

____

Junjie Pan

Subscribed and sworn to before me

this__________ day of ___________________, 2012.

APPOINTMENT NO. 30831

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **BENJAMIN M. LAWSKY**, 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:*

Junji Pan

as a proper person to examine the affairs of the

NATIONAL PUBLIC FINANCE GUARANTEE CORPORATION

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

CORPORATION

with such other information as he shall deem requisite.

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

this 14th day of February, 2012

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

Jean Marie Cho
Deputy Superintendent