

ASSIGNMENT AND ASSUMPTION AGREEMENT

This ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Agreement"), dated as of February 17, 2009, is made and entered into by and between MBIA INSURANCE CORPORATION, a New York stock insurance corporation ("MBIA Corp"), and MBIA INSURANCE CORP. OF ILLINOIS, an Illinois stock insurance company ("MBIA Illinois").

WHEREAS, MBIA Corp and Financial Guaranty Insurance Company, a New York insurance corporation ("FGIC"), entered into that certain Reinsurance Agreement dated as of September 30, 2008 (the "FGIC Reinsurance Agreement"), a copy of which is attached hereto as Appendix A, whereby MBIA Corp reinsured specified insurance policies of FGIC covering public finance obligations (the "Covered Policies");

WHEREAS, in connection with the FGIC Reinsurance Agreement, MBIA Corp, as grantor, FGIC, as beneficiary, and The Bank of New York Mellon Corporation, as trustee (the "Trustee"), entered into a Trust Agreement, dated as of October 22, 2008 (the "FGIC Trust Agreement"), a copy of which is attached hereto as Appendix B, pursuant to which MBIA Corp established and maintains a trust account (the "Trust Account") to hold certain assets for the benefit of FGIC as security for MBIA Corp's payment obligations under the FGIC Reinsurance Agreement;

WHEREAS, MBIA Corp wishes to transfer to MBIA Illinois MBIA Corp's entire portfolio of insurance policies covering domestic public finance obligations, including, without limitation, the Covered Policies (collectively, the "Public Finance Policies");

WHEREAS, concurrent with the execution of this Agreement, MBIA Corp and MBIA Illinois are entering into a Quota Share Reinsurance Agreement whereby MBIA Corp will cede, and MBIA Illinois will reinsure, the Public Finance Policies issued or reinsured by MBIA Corp, other than the policies reinsured by MBIA Corp pursuant to the FGIC Reinsurance Agreement;

WHEREAS, MBIA Corp agrees herein to transfer, and MBIA Illinois agrees to assume, all of MBIA Corp's rights, interests and obligations under the FGIC Reinsurance Agreement, including, without limitation, all of MBIA Corp's rights, interests and obligations under the FGIC Reinsurance Agreement with respect to the Covered Policies;

WHEREAS, Section 21(f) of the FGIC Reinsurance Agreement permits MBIA Corp, at any time and without the consent of FGIC, to assign its rights, interests and obligations under the FGIC Reinsurance Agreement to MBIA Illinois provided that FGIC is given reasonable prior written notice of the assignment and, at the time of the assignment, MBIA Illinois (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 the reinsurer under the FGIC

Reinsurance Agreement and (iv) after giving effect to such assignment, has insurer financial strength ratings issued by Standard & Poor's Ratings Services and Moody's Investors Service no lower than those of MBIA Corp at the time of such assignment ((i) through (iv), collectively, the "Assignment Conditions");

WHEREAS, in connection with the assignment to MBIA Illinois of MBIA Corp's rights, interests and obligations under the FGIC Reinsurance Agreement, MBIA Corp also agrees herein to transfer, and MBIA Illinois agrees to assume, all of MBIA Corp's rights, interests and obligations under the FGIC Trust Agreement;

WHEREAS, Section 3.9 of the FGIC Trust Agreement permits MBIA Corp, at any time and without the consent of FGIC or the Trustee, to assign its rights, interests and obligations under the FGIC Trust Agreement to MBIA Illinois in connection with an assignment to MBIA Illinois of the FGIC Reinsurance Agreement, provided that FGIC and the Trustee are given reasonable prior written notice of the assignment and, at the time of the assignment, MBIA Illinois meets the Assignment Conditions;

WHEREAS, as required by the FGIC Reinsurance Agreement and the FGIC Trust Agreement, MBIA Corp has given FGIC and the Trustee reasonable prior written notice of the assignments contemplated by this Agreement and, as of the date of this Agreement, MBIA Illinois satisfies each of the Assignment Conditions.

NOW, THEREFORE, in consideration of the promises and the mutual agreements herein contained, the parties hereto agree as follows:

1. MBIA Corp Assignment to MBIA Illinois. Subject to Section 2(b), MBIA Corp hereby sells, transfers, conveys, assigns and sets over to MBIA Illinois, its successors and assigns, all of MBIA Corp's rights, interests and obligations in each of the FGIC Reinsurance Agreement and the FGIC Trust Agreement, all effective as of 12:01 a.m. on January 1, 2009 (the "Effective Time"), including, without limitation, those obligations and liabilities incurred, accrued, or otherwise occurring or arising prior to the Effective Time.

2. MBIA Illinois Assumption from MBIA Corp. (a) Subject to Section 2(b), effective as of the Effective Time, MBIA Illinois hereby assumes and undertakes to pay, perform and discharge, or cause to be paid, performed or discharged, all of the liabilities and obligations of MBIA Corp under each of the FGIC Reinsurance Agreement and the FGIC Trust Agreement, including, without limitation, those obligations and liabilities incurred, accrued, or otherwise occurring or arising prior to the Effective Time, and including, without limitation, MBIA Corp's obligation to make payments directly to Payees (as defined in the FGIC Reinsurance Agreement) in the circumstances described in Section 13 of the FGIC Reinsurance 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.

(b) It is understood and agreed by the parties hereto that if the assignments and assumptions of the parties under Sections 1 and 2 above are revoked by agreement of the parties hereto for any reason, all of MBIA Illinois' rights, interests and obligations under each of the FGIC Reinsurance Agreement and the FGIC Trust Agreement shall cease immediately and automatically, without any further action on the part of MBIA Corp or MBIA Illinois, and all such rights, interests and obligations shall revert to MBIA Corp. MBIA Corp and MBIA Illinois agree that this Agreement may not be revoked or otherwise terminated by them without obtaining the prior approval of the insurance department of each of their domiciliary states.

3. Consideration. (a) In consideration for MBIA Illinois assuming MBIA Corp's liabilities and obligations under each of the FGIC Reinsurance Agreement and the FGIC Trust Agreement, MBIA Corp hereby transfers to MBIA Illinois all of its rights, title and interest in and to all of the assets in the Trust Account as of the date hereof. Following the date hereof, upon MBIA Illinois' withdrawal of earned premium from the Trust Account pursuant to the terms of the FGIC Trust Agreement, MBIA Illinois shall return to MBIA Corp the portion of such earned premium that was earned by MBIA Corp prior to the Effective Time.

(b) In consideration for MBIA Corp's transfer to MBIA Illinois of MBIA Corp's rights under each of the FGIC Reinsurance Agreement and the FGIC Trust Agreement, MBIA Illinois shall pay to MBIA Corp an amount equal to .3% of the unearned premium reserve as of the Effective Time on the business ceded pursuant to the FGIC Reinsurance Agreement (the "Additional Ceding Commission") as follows:

- (i) On the date hereof, MBIA Illinois shall pay to MBIA Corp an amount equal to MBIA Corp's estimate of the Additional Ceding Commission (the "Estimated Additional Ceding Commission").
- (ii) Following the date hereof, the parties agree to true-up the Additional Ceding Commission. Within 60 days following the date hereof, MBIA Illinois shall prepare and deliver to MBIA Corp a statement setting forth the actual Additional Ceding Commission. No later than five (5) days after receipt by MBIA Corp of the

Additional Ceding Commission true-up statement, the parties shall agree to the final Additional Ceding Commission amount and if the Estimated Additional Ceding Commission was (a) less than the actual Additional Ceding Commission, MBIA Illinois shall remit the difference to MBIA Corp or (b) more than the actual Additional Ceding Commission, MBIA Corp shall remit the difference to MBIA Illinois. The true-up payment shall be made by delivery to the recipient party of cash and/or securities approved by the recipient party having a market value as of the market close on the business day immediately prior to the date of the true-up payment equal to the amount payable under this Section 3(b)(ii).

(c) If, after the date hereof, it is discovered that an error or omission was made in the calculation of any amount due under this Section 3, the parties shall rectify such error or omission as soon as practicable following discovery thereof.

4. MBIA Illinois Indemnification of MBIA Corp. MBIA Illinois does hereby assume and agrees to indemnify and hold MBIA Corp, its predecessors, successors, parents, affiliates, subsidiaries, agents, officers, directors, shareholders and their assigns (hereinafter "Affiliated Persons") harmless for, from and against any and all obligations, liabilities, claims, actions and demands of any nature whatsoever ("Actions"), whether in law or in equity, whether sounding in tort, contract or otherwise, arising from, based upon, or in any way related to the FGIC Reinsurance Agreement or the FGIC Trust Agreement. In addition, MBIA Illinois agrees to defend, on behalf of MBIA Corp and the Affiliated Persons, any and all Actions brought against MBIA Corp or the Affiliated Persons with respect to matters arising from, based upon, or in any way related to the FGIC Reinsurance Agreement or the FGIC Trust Agreement.

5. Books and Records. Following the date of this Agreement, at the request of MBIA Illinois, MBIA Corp shall deliver to MBIA Illinois any and all records and other documents in its possession relating in any way to the FGIC Reinsurance Agreement and/or the FGIC Trust Agreement. MBIA Corp shall be entitled to maintain copies of such records and other documents relating to the FGIC Reinsurance Agreement and/or the FGIC Trust Agreement as it may deem reasonably necessary, and shall have such other on-going access reasonably required to inspect, examine and/or copy any books, files, records and/or other documents relating to the FGIC Reinsurance Agreement and/or the FGIC Trust Agreement, to satisfy any requirements of any governmental entity.

6. Further Assurances. At any time and from time to time after the date of this Agreement, at the request of any party hereto, and without further consideration, the other party hereto shall execute and deliver such other instruments of sale, transfer, conveyance, assignment and confirmation and take such other action as the requesting party hereto may reasonably request as necessary or desirable in order to effectuate the provisions and purposes of this Agreement and the transactions contemplated hereby.

7. Successors and Assigns. This Agreement shall be binding upon, and shall inure to the benefit of MBIA Corp and MBIA Illinois and their respective predecessors, successors and assigns, if any.

8. Amendments. This Agreement may not be changed, altered or modified unless the same shall be in writing executed by MBIA Illinois and MBIA Corp.

9. Governing Law. THIS AGREEMENT WILL BE CONSTRUED, PERFORMED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ITS PRINCIPLES OR RULES OF CONFLICT OF LAWS THEREOF.

10. Headings. Headings used herein are not a part of this Agreement and shall not affect the terms hereof.

11. Counterparts. This Agreement may be signed in multiple counterparts. Each counterpart shall be considered an original instrument, but all of them in the aggregate shall constitute one agreement.

12. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all other prior negotiations, commitments, agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

[Remainder of page intentionally left blank – signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives.

MBIA INSURANCE CORPORATION

By:  _____

Name: Ram D. Wertheim

Title: Managing Director, General Counsel
and Secretary

MBIA INSURANCE CORP. OF ILLINOIS

By:  _____

Name: Daniel E. McManus

Title: Managing Director and Secretary

[Signature page to Assignment and Assumption Agreement]

APPENDIX A

FGIC REINSURANCE AGREEMENT

[Redacted]

APPENDIX B

FGIC TRUST AGREEMENT

[Redacted]