



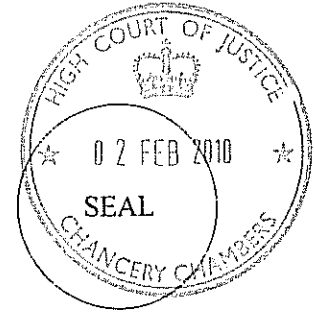
Claim Form (CPR Part 8)

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION ROYAL COURTS OF JUSTICE	
Claim No.	Hc10cv0364

Claimant

(1) LACROSSE FINANCIAL PRODUCTS, LLC
(a company incorporated in Delaware)
c/o Global Securitization Services, LLC
114 West 47th Street, Suite 1715, New York
New York 10036 USA

(2) MBIA INSURANCE CORPORATION
(a company incorporated in New York)
113 King Street, Armonk, New York, 10504 USA



Defendant(s)

THE ROYAL BANK OF SCOTLAND PLC

Does your claim include any issues under the Human Rights Act 1998? Yes No

Details of claim *(see also overleaf)*
Please see attached.

Defendant's
name and
address

THE ROYAL BANK OF SCOTLAND PLC
RBS Financial Markets
Level 4
135 Bishopsgate
London EC2M 3UR

	£
Court fee	£400.00
Solicitor's costs	TBC
Issue date	2 February 2010

Claim No.	HC10C00364
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Details of claim *(continued)*

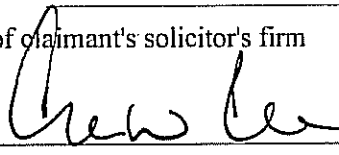
Claim No. HC10 C00 364

Statement of Truth

- * ~~XXXXXXXXXX~~ (The Claimant believes) that the facts stated in these particulars of claim are true.
- * I am duly authorised by the claimant to sign this statement

Full name Mathew Rea

Name of claimant's solicitor's firm Dawsons LLP

signed 

position or office held Partner

* ~~XXXXXXXXXXXXXXXXXXXX~~ (Claimant's solicitor)

(if signing on behalf of firm or company)

**delete as appropriate*

Dawsons LLP
2 New Square
Lincoln's Inn
London WC2A 3RZ

DX38 London/Chancery Lane
020 7421 4848
m.rea@dawsonslp.com

Claimant's or claimant's solicitor's address to which documents should be sent if different from overleaf. If you are prepared to accept service by DX, fax or e-mail, please add details.

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

CLAIM NO HC10C00364

BETWEEN:-

(1) LACROSSE FINANCIAL PRODUCTS LLC

(a company incorporated in Delaware)

(2) MBIA INSURANCE CORPORATION

(a company incorporated in New York)

Claimants

- and -

THE ROYAL BANK OF SCOTLAND PLC

(a company incorporated in Scotland)

Defendant

DETAILS OF PART 8 CLAIM

BACKGROUND

1. This Claim concerns the effectiveness of a termination notice dated 2 December 2009 served in relation to an agreement (“the Agreement”) made between the First Claimant (“LaCrosse”) and the Defendant (“RBS”) on 21 December 2004. The subject matter of the Agreement was a credit derivative transaction (“the Transaction”) by which LaCrosse agreed to provide US\$2 billion in credit default protection to RBS for an initial period of 10 years.
2. The Second Claimant (“MBIA”) is the guarantor of LaCrosse’s obligations to RBS under the Agreement pursuant to a Financial Guaranty Policy of the same date and is the sole entity against which RBS has recourse in respect of any amounts owing under the Agreement. MBIA is joined so that it is also party to the determination of the Court of the matters in dispute herein.
3. The Part 8 Claim is summarised below. Further information as to the background and the express terms of the Agreement is set out in the witness statement of Mathew Rea served in support.

THE AGREEMENT

4. The Agreement is in ISDA (International Swaps and Derivatives Association) form and is documented in:
 - (1) an ISDA Master Agreement 1992 version (“the Master Agreement”);
 - (2) a Schedule to the Master Agreement (“the Schedule”);
 - (3) a Confirmation (including Appendices 1-6) (“the Confirmation”); and
 - (4) a Credit Support Annex (“the CSA”).
5. References in these Details of Claim to “Sections” are to Sections of the Master Agreement, to “Parts” are to Parts of the Schedule, to “Clauses” are to Clauses of the Confirmation, and to “Paragraphs” are to Paragraphs of the CSA. Save where otherwise indicated, other capitalised terms are as defined in the Agreement.

Early Termination provisions

6. Sections 5 and 6 make provision for early termination of the Transaction upon the occurrence of certain Termination Events, including Additional Termination Events as defined elsewhere in the Agreement. In particular, as set out in Section 6(b):
 - (1) The Affected Party (as defined under the relevant Termination Event) is required to notify the other party promptly upon becoming aware of a Termination Event (Section 6(b)(i));
 - (2) In the case of an Additional Termination Event, the non-Affected Party may give notice to the other designating an Early Termination Date upon which the Transaction will terminate (Section 6(b)(iv) and 6(c)).
7. Further, Part 5(b) provides an additional notice requirement that each party, upon learning of “*any event or commencement of any condition that constitutes (or that with the giving of notice or passage of time or both would constitute).... a Termination Event with respect to such party...*” shall promptly notify the other party or in lieu of so doing cause such event or condition to cease before becoming a Termination Event.

Notice Requirements

8. Stipulations for the form and effectiveness of notices given under the Agreement are set out in Section 12. In particular, as set out in Section 12(a), notices under Sections 5 and 6 are required to be given in writing and are deemed effective on the day of delivery or (if delivered after close of business or on a non-business day) on the next business day.

Rating Requirements

9. By Clause 6, if at any time RBS's credit rating falls below the Required Rating (as defined in Clause 10), RBS is required to take certain action within 30 days failing which an Additional Termination Event will be constituted with RBS as the sole Affected Party.
10. The actions available to RBS (at its option) to avoid such an Additional Termination Event are set out at Clause 6(a)(i)-(iv) and include, at 6(a)(i), that RBS may "[p]ursuant to [the CSA] pay or deliver an amount determined in accordance therewith". This amount (the Delivery Amount) is defined in Paragraph 2(a) in terms of the Credit Support Amount and the Credit Support Balance at the relevant date, rounded up to the nearest \$5000 pursuant to Paragraph 11(b)(iii)(D).

THE RELEVANT FACTS

11. On 19 December 2008, Standard & Poor's downgraded RBS' credit rating from "A-1+" to "A-1" ("the Downgrade"), where it has remained since.
12. "A-1" is below the Required Rating. Accordingly, from 19 December 2008, RBS had 30 days (expiring on 18 January 2009) to take the actions specified in Clause 6(a)(i)-(iv) failing which an Additional Termination Event would occur.
13. RBS took no such action within the 30 days.
14. Further, RBS further failed promptly to notify LaCrosse of (i) the Downgrade (in breach of Part 5(b)) or (ii) the Additional Termination Event (in breach of Section 6(b)(i)). Indeed, RBS first alluded to the Downgrade only on 1 December 2009, by telephone, and has never given LaCrosse proper notice of it or the Additional Termination Event as required under the Agreement.
15. An Additional Termination Event therefore took effect on 19 January 2009.
16. On 3 December 2009:

- (1) LaCrosse delivered to RBS written notice, in the form of a letter dated 2 December 2009, identifying the Additional Termination Event resulting from the Downgrade and designating 3 December 2009 as the Early Termination Date (“the Notice”).
- (2) RBS attempted to make a payment of \$324,070 to LaCrosse (“the Attempted Payment”) in purported compliance with Clause 6(a)(i). This payment was rejected by LaCrosse and returned to RBS.

ISSUES FOR DETERMINATION & REMEDIES SOUGHT

17. An issue has accordingly arisen between the parties as to whether the Notice was effective to designate 3 December 2009 as an Early Termination Date, and in particular as to whether the Additional Termination Event was then continuing in light of the Attempted Payment.
18. LaCrosse contends that the Notice was effective on the basis that:
 - (1) The Additional Termination Event was constituted on 19 January 2009 by RBS’ failure to take any action under Clause 6(a) within the 30 days following the Downgrade and has continued in effect at all times thereafter including 3 December 2009.
 - (2) On a proper construction of the Agreement, it was not possible for RBS to remedy or otherwise affect the Additional Termination Event by tendering payment of a sum under Clause 6(a)(i) more than 30 days after the Downgrade and/or which was not determined in accordance with the CSA.
 - (3) Further and in any event, the amount of the Attempted Payment was insufficient to comply with the requirements of Clause 6(a)(i), and in particular had not been rounded up to the nearest \$5000 as required by the CSA.
 - (4) Even if, which is denied, the Attempted Payment comprised a sum which could otherwise amount to compliance with Clause 6(a)(i), it was sent on 3 December 2009, which was the date designated by the Termination Notice as the Early Termination Date. As at 3 December 2009, the Additional Termination Event was still “*then continuing*”.
19. LaCrosse accordingly seeks the following remedies:

- (1) A declaration that the Termination Notice was validly served by the Claimant pursuant to Section 6 of the Master Agreement and that the Transaction was accordingly lawfully terminated by LaCrosse in accordance with its terms on 3 December 2009.
 - (2) Costs.
 - (3) Such further or other remedies as the Court may deem fit.
20. This Claim is one which is unlikely to involve a substantial dispute of fact and accordingly is one to which Part 8 of the Civil Procedure Rules 1998 applies.

TIM LORD QC

JONATHAN DAWID

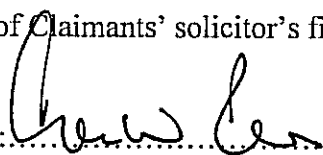
STATEMENT OF TRUTH

The Claimants believe that the facts stated in these Details of Part 8 Claim are true.

I am duly authorised by the Claimants to sign this statement

Full name **MATHEW LAWRENCE REA**

Name of Claimants' solicitor's firm: **Dawsons LLP**

Signed:  position or office held **Partner**
 Claimants' solicitor

DATED this 2nd day of February 2010