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EVENT NOTICE PURSUANT TO S.E.C. RULE 15c2-12
RATING CHANGE

Dated: January 29, 2018

NOTICE IS HEREBY GIVEN that on January 17, 2018, Moody's Investor Services ("**Moody's**") downgraded the rating of National Public Finance Guarantee Corporation, a subsidiary of MBIA Insurance Corporation. As a result, there has been a rating change on the following issues from the Long-Term Insurer Rating of "A3" to "Baa2" with a stable outlook.

- 2003 Tax Allocation Revenue Bonds, Series A issued by the Sacramento County Public Financing Authority*
- 2005 Tax Allocation Revenue Bonds, Series A issued by the Sacramento City Financing Authority*

*The City of Sacramento is the Successor Agency to the Redevelopment Agency of the City of Sacramento.

City of Sacramento

Brian Wong
Debt Manager

Rating Action: Moody's downgrades MBIA Inc. and National Public Finance Guarantee Corp. (IFS to Baa2); MBIA Insurance Corp. affirmed at Caa1

Global Credit Research - 17 Jan 2018

New York, January 17, 2018 -- Moody's Investors Service, ("Moody's") has downgraded the senior debt rating of MBIA Inc. (MBIA) to Ba3 from Ba1 and the insurance financial strength (IFS) rating of its principal operating subsidiary, National Public Finance Guarantee Corporation (National), to Baa2 from A3. The outlook for the ratings is stable.

Moody's also affirmed the Caa1 IFS rating of MBIA Insurance Corporation (MBIA Corp.) with a developing outlook.

Moody's will comment on the rating and outlook of MBIA Mexico S.A. de C.V. (MBIA Mexico) in a separate press release.

These rating actions also have implications for the various transactions wrapped by National as discussed later in this press release.

http://www.moodys.com/viewresearchdoc.aspx?docid=PBC_198329

RATINGS RATIONALE

The downgrades of National and MBIA reflect several developments, including: 1) the placement of National into run-off; 2) an increased probability of more severe losses resulting from National's Puerto Rico exposures due to the protracted economic and revenue disruptions in Puerto Rico caused by Hurricane Maria; 3) higher asset risk at National following the company's large recent purchases of MBIA debt and equity securities; and 4) the weakened alignment of interests between the firm's shareholders and its policyholders and creditors.

RATINGS RATIONALE -- NATIONAL PUBLIC FINANCE GUARANTEE CORP.

National's Baa2 IFS rating and stable outlook reflects the insurer's substantial capital resources, the meaningful delinking from its weaker affiliates and the steady amortization of its insured portfolio. Offsetting these strengths is National's substantial exposure to below investment grade credits, which represented approximately 7.4% of its insured book and 190% of qualified statutory capital at 3Q2017, as well as the firm's transition toward a more aggressive investment posture, which has included a substantial investment allocation to debt and equity securities issued by its parent, MBIA. Pro forma for purchases made subsequent to the end of the third quarter, we estimate that National holds MBIA securities with a market value of approximately $525 million, which amounts to approximately 13% of National's total cash and invested assets.

At 3Q2017, National had approximately $3.9 billion of gross par exposure to the debt securities of Puerto Rico issuers (including accreted interest on capital appreciation bonds). While the situation in Puerto Rico remains fluid, the protracted economic and revenue disruptions caused by Hurricane Maria, which struck Puerto Rico on September 20, 2017, are likely to result in lower debt servicing capacity, and thus higher loss severity on debt insured by National in the debt restructuring process.

Additionally, Moody's believes that the placement of National into run-off significantly weakens the alignment of interests between shareholders and policyholders. The purchase of holding company securities by an operating company is unusual and signals the likelihood of further shareholder-friendly actions in the future that may adversely affect the interests of policyholders and creditors.

RATINGS RATIONALE -- MBIA INC.

The Ba3 senior unsecured debt rating and stable outlook of MBIA Inc. reflects the credit profiles of its subsidiaries and its adequate liquidity profile stemming from the firm's significant level of cash and invested assets held at the holding company level, estimated to be approximately $540 million following certain capital management actions taken subsequent to the end of 3Q2017. While we expect ordinary dividend payments from National to continue for at least the next several years, the ability of MBIA Inc. to receive funds from the tax escrow account are likely to be reduced or eliminated over the next few years due to losses arising from National's Puerto Rico exposures. The firm's high debt burden and meaningful asset risks, a large share of which support its wind-down operations, remain a distinct weakness. The notching between MBIA Inc.'s senior debt rating and the IFS rating of its lead insurance subsidiary, National, is four notches, reflecting the group's high financial leverage, lower projected cash flows from the tax escrow account and the significantly weaker credit profile of MBIA Corp.

RATINGS RATIONALE -- MBIA INSURANCE CORPORATION

MBIA Corp.'s Caa1 IFS rating and developing outlook reflects the firm's weak capital adequacy position and the volatility associated with the outcomes of several ongoing loss recovery efforts, which could put either upward or downward pressure on its IFS rating. MBIA Corp.'s liquidity position remains very weak, with liquid assets of less than $100 million at 3Q2017.

MBIA Corp.'s longer-term viability rests on the ability of the company to recover the substantial majority of the firm's $1.5 billion of booked salvage recoverables, primarily relating to excess spread recoveries on second-lien RMBS securities, a mortgage loan put-back settlement related to alleged breaches of representations and warranties by Credit Suisse on a legacy insured RMBS transaction and recoveries from sales of collateral backing the defaulted Zohar I and Zohar II collateralized loan obligation transactions.

The inability of MBIA Corp. to realize substantial recoveries from these efforts would likely result in regulatory intervention, which could result in a claims payment freeze, partial claims payments, or rehabilitation proceedings.

Moody's added that the ratings of MBIA Corp.'s preferred stock (C (hyb)) and surplus notes (Ca (hyb)) reflect their high expected loss content given the company's weak capital profile and the deeply subordinated nature of these securities.

According to Moody's, credit deterioration at MBIA Corp. has only a limited impact on the broader MBIA group given the substantial delinking following the removal of the cross-default provision with MBIA Inc.'s debt in 2012, and MBIA Corp.'s repayment of a loan from affiliate National.

RATING DRIVERS

National Public Finance Guarantee Corporation

Given National's run-off status and financial profile, there is unlikely to be positive rating pressure over the near to medium term. Conversely, the following factors could result in a downgrade of National's rating: 1) developments in Puerto Rico result in losses that reduce the firm's qualified statutory capital by more than 40% over a twelve month period; 2) capital extraction in excess of the firm's ordinary dividend capacity without a commensurate reduction of insured risk; and 3) provision of material capital support to MBIA Corp.

MBIA Inc.

The following factors could lead to an upgrade of MBIA's senior debt rating: 1) an upgrade of National; and/or 2) a significant reduction in adjusted financial leverage. Conversely, the following factors could result in a downgrade: 1) a downgrade of National; and/or 2) constrained liquidity at the holding company with visible projected cash inflows and existing liquid assets covering less than two years of debt service.

MBIA Insurance Corporation

The following factors could result in an upgrade of MBIA Corp.'s rating: 1) improved capital adequacy and liquidity profile; 2) a reduction in exposure to large single risks; and 3) favorable settlement of outstanding RMBS put-back claims and substantial recoveries from Zohar collateral sales. Conversely, the following factors could result in a downgrade: 1) unfavorable settlement of outstanding RMBS put-back claims; 2) failure to secure substantial recoveries on Zohar collateral; 3) portfolio losses meaningfully in excess of current expectations; 4) a meaningful reduction in expected excess-spread recoveries on second-lien RMBS; and 5) further deterioration in the company's liquidity profile.

RATING LIST

The following ratings have been downgraded:

MBIA Inc. -- Senior unsecured debt to Ba3 from Ba1;

National Public Finance Guarantee Corporation -- insurance financial strength to Baa2 from A3.

The following ratings have been affirmed:

MBIA Insurance Corporation -- insurance financial strength at Caa1, surplus notes at Ca(hyb) and preferred stock at C(hyb).

Outlook Actions:

MBIA Inc. -- outlook to stable, from negative

National Public Finance Guarantee Corporation -- outlook to stable, from negative

MBIA Insurance Corporation -- outlook remains developing

TREATMENT OF WRAPPED TRANSACTIONS

Moody's ratings on securities that are guaranteed or "wrapped" by a financial guarantor are generally maintained at a level equal to the higher of the following: a) the rating of the guarantor (if rated at the investment grade level); or b) the published underlying rating (and for structured securities, the published or unpublished underlying rating). Moody's approach to rating wrapped transactions is outlined in Moody's methodology "Rating Transactions Based on the Credit Substitution Approach: Letter of Credit-backed, Insured and Guaranteed Debts" (May 2017).

MBIA Insurance Corporation and National Public Finance Guarantee Corporation are financial guaranty insurance companies domiciled in New York State and are wholly owned subsidiaries of MBIA Inc. [NYSE: MBI]. As of September 30, 2017, MBIA Inc. had consolidated gross par outstanding of approximately $99 billion and total claims paying resources at its operating subsidiaries of approximately of $6.0 billion.

The principal methodology used in these ratings was Financial Guarantors published in March 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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