MBIA INC
Form 424B5
February 11, 2008
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CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Common Stock, par value $1.00 per share	$1,150,000,003	$45,200

(1) Includes offering price related to shares which the underwriters have the right to purchase to cover over-allotments.

(2) Pursuant to Rule 457(p) under the Securities Act, registration fees of $12,135 were paid with respect to unsold securities that were previously registered under the Automatic Shelf Registration Statement on Form S-3 (Registration No. 333-144194), filed by MBIA Inc. on June 29, 2007. Such registration fees were originally sourced and carried over from an earlier Registration Statement on Form S-3, filed by MBIA Inc. on June 10, 2003 (Registration No. 333-105980). $5,900 of the registration fees associated with this offering are hereby offset against these prepaid registration fees. Following this offering, a total of $6,235 will still remain available for offset against future registration fees that would otherwise be payable under the Automatic Shelf Registration Statement on Form S-3 (Registration No. 333-144194), filed by MBIA Inc. on June 29, 2007. Additional registration fees of $39,300 have been paid with respect to this offering.

Filed Pursuant to Rule 424(b)(5)

Registration No. 333-144194

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Prospectus Supplement to Prospectus dated June 29, 2007.

MBIA INC.

82,304,527 Shares of Common Stock

Our common stock is listed on the New York Stock Exchange under the symbol MBI. The last reported sale price of the common stock on February 7, 2008 was $14.20 per share.

	Per Share	Total
Public Price	$12.150	$1,000,000,003
Underwriting Discounts and Commissions	$0.456	$37,530,864
Proceeds, before expenses, to MBIA	$11.694	$962,469,139

We have granted the underwriters the right to purchase up to an additional 12,345,679 shares to cover over-allotments.

Warburg Pincus will provide a backstop for this offering by agreeing to purchase up to $750 million of our convertible participating preferred stock. We do not expect to utilize any portion of the backstop because we have sold more than $750 million of our common stock in this offering.

An investment in the shares involves a high degree of risk. You should not invest unless you can afford to lose your entire investment. See Risk Factors beginning on page S-22.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares against payment in New York, New York on February 13, 2008.

JPMORGAN **LEHMAN BROTHERS**

February 7, 2008.

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Prospectus Supplement

You should rely only on information contained in this prospectus supplement, the accompanying prospectus, any free writing prospectus with respect to the offering filed by us with the U.S. Securities and Exchange Commission (the SEC) or information to which we have referred you. We have not authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information in this prospectus supplement, the accompanying prospectus and any free writing prospectus with respect to the offering filed by us with the SEC and the documents incorporated by reference herein and therein is only accurate as of the respective dates of such documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

We are offering to sell, and are seeking offers to buy, the common stock only in jurisdictions where offers and sales are permitted. The distribution of this prospectus supplement and the accompanying prospectus and the offering in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus supplement and the accompanying prospectus

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must inform themselves about and observe any restrictions relating to the offering and the distribution of this prospectus supplement and the accompanying prospectus outside the United States. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer to sell, or a solicitation of an offer to buy, any securities offered by this prospectus supplement and the accompanying prospectus by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering.

If the description of the offering or of MBIA Inc. and its subsidiaries varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in or incorporated by reference into this prospectus supplement.

The information incorporated by reference in this prospectus supplement is considered a part of this prospectus supplement. See Incorporation by Reference.

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus supplement and the accompanying prospectus to MBIA, the Company, we, us and our or similar terms are to MBIA Inc. and its subsidiaries. References to MBIA Corp. are wholly-owned subsidiary, MBIA Insurance Corporation, and references to Warburg Pincus are to Warburg Pincus Private Equity X, L.P.

FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain or incorporate by reference statements that do not directly or exclusively relate to historical or current facts. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words believe, anticipate, project, plan, expect, intend, will likely result, or will continue and si expressions identify forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of their respective dates.

Factors that could materially affect these forward-looking statements can be found in our periodic reports filed with the SEC. In addition to those discussed under the caption Risk Factors in this prospectus supplement, in Item 1A of our most recent annual report on Form 10-K for the year ended December 31, 2006, and in Item 8.01 of our Current Report on Form 8-K filed on January 9, 2008, and other possible factors not listed, the following factors could cause our actual results to differ materially from those expressed in forward-looking statements:

- the possibility that we will not be able to raise sufficient capital to avoid a downgrade of the financial strength ratings of MBIA Corp. and our other insurance subsidiaries;
- the possibility that we will experience severe losses due to the continued deterioration in the performance of residential mortgage-backed securities and collateralized debt obligations;
- fluctuations in the economic, credit, interest rate or foreign currency environment in the United States and abroad;
- level of activity within the national and international credit markets;

- competitive conditions and pricing levels;
- legislative or regulatory developments;
- technological developments;
- changes in tax laws;
- changes in our credit ratings;
- the effects of mergers, acquisitions and divestitures; and
- uncertainties that have not been identified at this time.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements included in this prospectus supplement and the accompanying prospectus are made only as of the dates of this prospectus supplement and the accompanying prospectus, respectively, and we undertake no obligation to publicly update these forward-looking statements to reflect new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events might or might not occur. We cannot assure you that projected results or events will be achieved. We undertake no obligation to publicly correct or update any forward-looking statement if we later become aware that such results are not likely to be achieved.

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SUMMARY

MBIA Inc.

MBIA Inc. is a holding company whose subsidiaries are engaged in providing financial guarantee insurance and investment management services to public finance and structured finance clients worldwide. We conduct our financial guarantee insurance business through our wholly-owned subsidiary, MBIA Corp., and its subsidiaries. MBIA Corp. has triple-A financial strength ratings from Standard and Poor s Rating Services (S&P) (credit watch negative), Moody s Investors Service, Inc. (Moody s) (watch list negative), Fitch, Inc. (Fitch) (rating watch negative) and Rating and Investment Information, Inc. See Recent Developments Rating Agency Review. MBIA Corp. issues financial guarantees for municipal bonds, asset-backed and mortgage-backed securities, investor-owned utility bonds, bonds backed by publicly or privately funded public-purpose projects, bonds issued by sovereign and sub-sovereign entities, obligations collateralized by diverse pools of corporate loans and pools of corporate and asset-backed bonds, and bonds backed by other revenue sources such as corporate franchise revenues, both in the new issue and secondary markets. Additionally, MBIA Corp. insures credit default swaps primarily on pools of collateral, which it considers part of its core financial guarantee insurance business. The financial guarantees issued by MBIA Corp. provide 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 MBIA Corp. has the right, at its discretion, to accelerate insured obligations upon default or otherwise, upon such acceleration by MBIA Corp.

We also provide investment management products and services to the public, not-for-profit and corporate sectors through our wholly-owned subsidiary, MBIA Asset Management, LLC, and its subsidiaries. Such products and services include cash management, discretionary asset management and fund administration services and investment agreement, medium-term note and commercial paper programs related to funding assets for third-party clients and for investment purposes.

Our insurance company subsidiaries are subject to various statutory and regulatory restrictions, applicable to insurance companies generally, that limit the amount of cash dividends, loans and advances that those subsidiaries may pay to us. Regulations relating to capital requirements affecting some of our other subsidiaries may also restrict their ability to pay dividends and other distributions and make loans to us. MBIA Corp. paid dividends of $95 million, $839 million and $500 million to MBIA Inc. in 2005, 2006 and 2007, respectively. Portions of the dividends paid in 2006 and all of the dividends paid in 2007 were special dividends paid with the prior approval of the New York Superintendent of Insurance (the Superintendent). MBIA Corp. will not be able to pay dividends without prior approval by the Superintendent until April 2008. The maximum amount of ordinary dividends that MBIA Corp. expects to be able to pay in 2008 is estimated to be between $500 million and $550 million.

We were incorporated as a business corporation under the laws of the State of Connecticut in 1986. Our principal executive offices are located at 113 King Street, Armonk, New York 10504. The telephone number is (914) 273-4545.

Recent Developments

2007 Results

On January 31, 2008, we reported financial results for our fourth quarter and full year ended December 31, 2007.

On February 6, 2008, we announced that in connection with the continuing review and finalizing of our financial results for our fourth quarter and full year 2007, we will decrease our previously announced fourth quarter pre-tax net loss on financial instruments at fair value (mark-to-market) by $110 million and increase

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our previously announced special addition to the unallocated loss reserve for prime, second-lien mortgage exposure by $100 million to $200 million. These changes will result in a $6.5 million decrease to our previously announced net loss for the year and three months ended December 31, 2007.

On January 31, 2008, we established a special addition of $100 million to the unallocated loss reserve to reflect our estimate of probable losses as a result of continuing adverse developments in the residential mortgage market related to prime, second-lien mortgage exposure, but which have not yet been specifically identified to individual policies. Following our January 31, 2008 earnings release for the fourth quarter and year ended December 31, 2007, we conducted a review of information for the month of December 2007 recently received from servicers who provide monthly reports on structured finance transactions. Upon completion of the review of the December 2007 information, we determined to further increase the unallocated loss reserve for potential losses on the second-lien portfolio. Accordingly, we have added another $100 million to our unallocated loss reserve for prime, second-lien loss exposure, resulting in a total special addition of $200 million.

In addition, we stated that we will decrease our previously announced fourth quarter pre-tax mark-to-market net loss and foreign exchange by $110 million. This reduction stems from a $400 million Money Market Committed Preferred Custodial Trust securities (CPCT Securities) facility created for the primary purpose of issuing CPCT Securities and investing the proceeds in high quality commercial paper or short-term U.S. Government obligations. This soft capital facility constitutes a financial instrument which is required to be fair valued (mark-to-market). Accordingly, we also said that we had a $110 million mark-to-market gain on this facility during fiscal 2007.

The financial results set forth below have been updated to reflect these revisions.

The results, as compared with the same period of the prior year, were as follows:

- Net loss for the full year 2007 was $1.9 billion, compared with net income of $819.3 million in 2006.

- Net loss per share for the full year 2007 was $15.17, compared with net income per share of $5.99 in 2006.

The decline in net income for 2007 was primarily due to a pre-tax net loss of $3.4 billion, or on an after-tax basis, $2.2 billion or $17.47 per share, on financial instruments at fair value and foreign exchange. Significantly wider spreads and ratings downgrades of securities backing collateralized debt obligations (CDO) during the fourth quarter adversely affected the mark-to-market valuation of the Company s insured credit derivatives portfolio. As announced on January 9, 2008, we estimate a credit impairment of $200 million, included in the pre-tax net loss of $3.4 billion, on our insured credit derivatives portfolio for three CDO-squared transactions on which we expect to incur actual losses in the future. We continue to believe that the balance of the mark-to-market losses are not predictive of future claims and, in the absence of further credit impairment, the cumulative marks should reverse over the remaining life of the insured credit derivatives. Additionally, the mark-to-market does not affect rating agency evaluations of MBIA s capital adequacy, except to the extent of impairments.

Also contributing to our pre-tax net loss was $813.5 million of pre-tax loss and loss adjustment expense (LAE) comprising case loss activity of $613.5 million and a special addition of $200 million to the unallocated loss reserve for our prime, second-lien mortgage exposure. The case loss activity reflects our best estimate of probable and reasonably estimable losses.

Mark-to-market losses during the fourth quarter on insured credit derivatives that were reinsured for MBIA by Channel Re (a financial guarantee reinsurer in which MBIA Corp. has a 17.4 percent equity ownership interest) resulted in us adjusting the carrying value of our ownership interest from $85.7 million to zero. The adjustment is reflected in net losses on financial instruments at fair value. Absent further credit impairment, we

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believe that substantially all of the mark-to-market losses on the business reinsured by Channel Re are not predictive of future claims and should reverse over time; therefore, the carrying value of our investment in Channel Re would be adjusted accordingly in the future.

Net loss for the fourth quarter of 2007 was $2.3 billion compared with net income of $181.0 million for the same period of 2006. For the fourth quarter of 2007, net loss per share was $18.55 compared with net income per share of $1.32 for the fourth quarter of 2006.

Earnings per diluted share information

	Three Months Ended December 31,		Year Ended December 31,	
	2006	2007	2006	2007
Net income (loss)	$ 1.32	$ (18.55)	$ 5.99	$ (15.17)

Insurance Operations Results

In 2007, total premiums earned, which include scheduled premiums earned and refunding premiums earned, were $855.6 million compared with $852.6 million in 2006. Scheduled premiums earned in 2007 increased 6 percent to $734.8 million from $691.1 million in 2006, reflecting growth in production, while premiums from refundings decreased 25 percent.

The 25 percent decline in premiums earned from refundings, to $120.8 million in 2007 from $161.5 million in 2006, was largely due to the decrease of advanced refundings of U.S. public finance transactions during the third and fourth quarters of 2007, as spreads between tax-exempt interest rates and rates on Treasury securities, which are used to defease advanced refunding deals, have widened markedly. The acceleration of premiums into earnings due to refundings accounted for 14 percent of total premiums earned for the year, compared with 19 percent in 2006. Earned premiums from refundings accelerate value for shareholders as compared with transactions that remain on the books for the full term of the deal.

For 2007, pre-tax net investment income decreased 1 percent to $572.8 million from $581.1 million in 2006. The decrease is related to lower average invested assets primarily due to the $1 billion of dividends that were paid by MBIA Corp. to MBIA in December 2006 and April 2007. For the fourth quarter of 2007, pre-tax net investment income was level with the fourth quarter of 2006.

Our fees and reimbursements were down 38 percent for the year to $20.8 million from $33.5 million in 2006. In 2006, we received two large expense reimbursements from Eurotunnel and a third from another remediation. In the fourth quarter of 2007, fees and reimbursements were $1.2 million, $3.1 million less than in the fourth quarter of 2006.

Total insurance expenses in 2007 increased to $1.2 billion from $379.3 million during the prior year. For the fourth quarter, total insurance expenses increased to $908.4 million from $104.8 million. The increases for both periods were largely the result of the $836.7 million loss and LAE incurred for the fourth quarter of 2007, described below.

Gross insurance expenses, which are prior to any expense deferrals, were down 8 percent for the year to $248.0 million from $268.4 million in 2006. For the fourth quarter of 2007, gross insurance expenses decreased 19 percent, from $79.3 million to $64.6 million. The decrease in the fourth quarter of 2007 was primarily due to the acceleration of expenses in the fourth quarter of 2006 related to certain existing long-term incentive compensation awards and the adoption of a new retirement plan, as well as a decline in loss prevention expenses.

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In 2007, we incurred $900.3 million in loss and LAE, compared with $80.9 million in 2006. The 2007 expenses consist of our loss reserving formula of 12 percent of scheduled premiums earned, or $86.8 million, and two fourth quarter additions totaling $813.5 million. Total fourth quarter loss and LAE amounted to $836.7 million. Our loss reserving formula of 12 percent of scheduled premiums earned resulted in an unallocated loss reserve addition of $23.1 million for the quarter. We also recorded $613.5 million in case loss activity, which represents our assessment of probable and reasonably estimable losses for our insured exposure to prime, second-lien residential mortgage-backed securities (RMBS) transactions consisting of home equity lines of credit and closed-end second-lien mortgages. We also established a special addition of $200 million to the unallocated loss reserve to reflect our estimate of probable losses as a result of the adverse developments in the residential mortgage market related to prime, second-lien mortgage exposure, but which have not yet been specifically identified to individual policies. After the fourth quarter loss reserving activity, our unallocated loss reserve totaled $434.5 million at December 31, 2007.

The overall credit quality of the insured portfolio remained high with 82.5 percent of the total book of business having underlying ratings of A or better as of December 31, 2007, versus 81.1 percent a year ago. More significantly, the triple-A-rated component of the outstanding insurance portfolio has increased to 24.6 percent from 20.9 percent at the end of 2006. Also, the percentage of the portfolio rated below investment grade on an S&P priority basis decreased to 1.4 percent as of December 31, 2007 from 1.9 percent as of December 31, 2006. (Our below investment grade net par exposure includes $10.6 billion of home equity lines of credit and closed-end second RMBS and multi-sector CDOs of high grade CDOs, which were not rated below investment grade under the S&P priority basis as of December 31, 2007.) The largest reduction in the below investment grade-rated portion of the insured portfolio resulted from the elimination of our $1.6 billion exposure to Eurotunnel during 2007. Based on our internal ratings, the percentage of the portfolio rated below investment grade increased to 2.1 percent as of December 31, 2007, from 1.2 percent as of December 31, 2006.

Our pre-tax operating income, excluding net realized gains and losses and net gains and losses on financial instruments at fair value (with the exception of credit impairment) and foreign exchange, from insurance operations for 2007 declined 94 percent to $67.0 million compared with $1.1 billion for 2006. The decline was due to the fourth quarter 2007 additional loss activity of $813.5 million and credit impairment in the insured derivatives portfolio of $200 million.

Investment Management Services

For 2007, pre-tax operating income, excluding net realized gains and losses and net gains and losses on financial instruments at fair value and foreign exchange, for Investment Management Services was up 9 percent, from $101.2 million to $110.0 million due to higher average assets under management (AUM). The market value of average AUM for 2007, including conduit assets of $4.3 billion, was $66.1 billion, up 18 percent from $56.0 billion for 2006. Strong growth in the asset liability products segment from increased volume of investment agreements and medium-term notes, and increased balances managed in the municipal investment pool and customized asset management business in the advisory services segment, contributed to the increase in AUM.

Within the advisory services segment, we were the investment manager of the structured investment vehicle (SIV) named Hudson-Thames, acting under an investment management agreement and at the direction of an independent board of directors. Launched at the end of 2006, Hudson-Thames had $2 billion of assets at its peak. We also invested $15.8 million in the capital notes of Hudson-Thames, representing 12 percent of the capital notes. During the summer of 2007, adverse conditions in the structured finance and SIV markets inhibited Hudson-Thames from issuing new senior notes (primarily commercial paper) to repay maturing notes. During the fourth quarter, at the direction of the Hudson-Thames board of directors, all of the remaining assets of Hudson-Thames were sold, all of its senior liabilities were fully paid, and in December 2007, Hudson-Thames ceased operations. Overall results for 2007 reflect the impairment of MBIA s capital notes and unreimbursed expenses, which combined totaled $8.2 million, of which $3.7 million was recorded in the fourth quarter.

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Corporate

For 2007, the corporate pre-tax operating loss, excluding net realized gains and losses and net gains and losses on financial instruments at fair value and foreign exchange, increased 4 percent to $89.0 million from a loss of $85.8 million in 2006. The increased operating loss reflects a $10 million increase in corporate expenses during 2007, primarily related to higher expense allocations from the insurance company, partially offset by $6.4 million in insurance recoveries. The insurance recoveries represent payments under directors and officers insurance policies, under which we are being reimbursed for a portion of the expenses incurred for regulatory investigations and related litigation in prior periods. For the fourth quarter of 2007, the pre-tax operating loss was $25.8 million, 5 percent greater than the $24.7 million loss for the fourth quarter of 2006. At December 31, 2007, MBIA Inc. had cash and investments totaling $433.9 million.

Gains and Losses

In 2007, we recorded net realized gains of $51.3 million for all business operations, compared with net realized gains of $15.4 million in 2006. For the fourth quarter of 2007, we recorded net realized gains of $24.1 million compared with $5.1 million of net realized losses for the fourth quarter of 2006. The year-over-year changes were primarily due to customary activity associated with the management of our investment portfolio.

Consistent with our policy for evaluating all of our investments to assess whether any declines in fair value below amortized cost are other than temporary, we identified two holdings totaling $37 million in amortized cost in the asset liability products segment for which we took a $20 million write-down in the fourth quarter of 2007. Both holdings are structured finance assets, one of which is a SIV managed by a third party, and the other is an uninsured CDO.

We recorded pre-tax net losses on financial instruments at fair value and foreign exchange of $3.4 billion for all business operations in 2007, compared with pre-tax net gains of $14.5 million in 2006. For the fourth quarter, net losses were $3.0 billion in 2007 compared with a net gain of $4.0 million in 2006.

The $3.4 billion net loss in 2007 includes a non-cash net loss of $3.7 billion for our insured credit derivatives portfolio, partially offset by a non-cash $0.2 billion net gain from our Investment Management Services operations derivatives portfolio and a non-cash $0.1 billion mark-to-market gain on our $400 million soft capital facility. When we write credit protection in the form of a credit default swap, we account for the transaction under the requirements of Statement of Financial Accounting Standards No. 133 (SFAS 133), Accounting for Derivative Instruments and Hedging Activities. Under SFAS 133, these transactions must be marked-to-market and the change in fair value recorded in our income statement. The majority of these credit default swaps provide guarantees for structured finance transactions with underlying collateral of CDOs backed by various assets including RMBS, commercial real estate securities (structured commercial mortgage-backed securities (CMBS) pools), CDOs and other asset-backed securities, corporate bonds and loans. These transactions are typically underwritten at or above a triple-A underlying rating level.

Approximately two-thirds of our fourth quarter $3.4 billion mark-to-market loss on the insured credit derivatives portfolio resulted from wider spreads for CMBS and RMBS collateral and the remaining one-third was primarily due to ratings downgrades of the collateral comprising insured credit derivatives for multi-sector CDO structures.

Our insured credit derivatives contracts have similar terms and conditions to our financial guarantee insurance contracts, and we are not required to post collateral to a counterparty, thereby avoiding the liquidity risks more typical of market standard credit default swaps. We manage our insured credit derivatives portfolio the same way we manage our other insurance contracts, including the same monitoring process to detect impairment. As a result of our fourth quarter review for losses, we estimated that $200 million of our fourth quarter mark-to-market represents estimated credit impairment related to three CDO-squared transactions on which we expect to incur actual claims in the future. However, we continue to believe that the balance of the mark-to-market losses are not predictive of future claims and, in the absence of further credit impairment, the cumulative marks should reverse over the remaining life of the insured credit derivatives.

As mentioned earlier, during the fourth quarter of 2007, we adjusted our 17.4 percent equity ownership interest in Channel Re from a carrying value of $85.7 million to zero. Channel Re has been placed on review for a possible downgrade by Moody s. If Channel Re is downgraded, we do not believe such downgrade will materially affect our ability to raise sufficient capital to cover the rating agencies capital requirements upon completion of our capital plan described below under MBIA Capital Plan.

Book Value

Our book value per share at December 31, 2007 decreased to $29.16 from $53.43 at December 31, 2006, which includes a $19.24 impact from the third and fourth quarters mark-to-market from our structured credit derivatives portfolio.

Share Repurchase

We repurchased $660 million shares of our common stock in the first three quarters of 2007. During the third quarter, we halted our share repurchase activity in light of the growing concerns over the mortgage and structured finance markets. While approximately $340 million remains available under our $1 billion share buyback program, which was authorized by our board of directors in February 2007, we have suspended our share repurchase program.

Holding Company Liquidity

MBIA Inc. has a number of liquidity sources available to meet annual cash requirements and repay debt. In addition to dividends from MBIA Corp., as of December 31, 2007, MBIA Inc. had $434 million in unpledged, unrestricted cash and investments, and a $500 million revolving credit facility with several money center banks. Although the credit facility contains financial covenants, the losses sustained by the Company to date do not create a breach of those covenants. MBIA Inc. was in compliance with these covenants at year end, and remains in compliance at the time of this offering. MBIA Inc. can use the cash balances, revolving credit facility, dividends from MBIA Corp. and its other subsidiaries, earnings in its unregulated business units, and interest income on the MBIA Inc. cash balances to meet MBIA Inc. cash expenses. MBIA Inc. s fixed cash expenses include interest on the $1.2 billion of MBIA Inc. debt, and certain expenses primarily related to its status as a public company. (The surplus notes issued by MBIA Corp. on January 16, 2008 (the Surplus Notes) are not an obligation of MBIA Inc., and any payments on such Surplus Notes will be met by the resources of MBIA Corp.) In 2007, MBIA Inc. s fixed cash expenses amounted to approximately $110 million. In addition, MBIA Inc. had cash requirements related to the common shareholder dividends of $173 million in 2007. After an announced reduction in the annual dividend from $1.36 per share to $.52 per share, the issuance of 16.1 million shares to Warburg Pincus on January 30, 2008 and the expected issuance of approximately 82 million additional shares pursuant to this offering, annual dividend expense is projected to be approximately $116 million in 2008. For a description of risks related to our liquidity and capital resources, see Risk Factors An inability to access capital could adversely affect liquidity, impact MBIA Corp. s ability to write new business and adversely affect our business, operating results and financial condition and Risk Factors Our holding company structure and certain regulatory and other constraints could affect our ability to pay dividends and make other payments.

Financial Statements (unaudited)

Beginning with fiscal year 2007 results, MBIA reformatted its Consolidated Statement of Income from a segmented structure that presented revenue and expense results for each business operation to a structure that combines and presents these results in consolidated form. Consequently, certain items in the Statement of Income for the year ended December 31, 2006 do not match the corresponding items presented in Selected Financial Information included herein or reports previously filed with the SEC.

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MBIA INC. AND SUBSIDIARIES

STATEMENTS OF INCOME

(dollars in thousands)

	Year Ended December 31, 2007 (Unaudited)					
	Insurance	Investment Management Services	Corporate	Subtotal	Eliminations(1)	Consolidated
Revenues:						
Gross Premiums Written	$ 998,863	$	$	$ 998,863	$ (37,964)	$ 960,899
Ceded Premiums	(106,474)			(106,474)	6,357	(100,117)
Net Premiums Written	892,389			892,389	(31,607)	860,782
Premiums Earned	855,624			855,624	(31,607)	824,017
Net Investment Income	572,786	1,582,287	14,212	2,169,285	14,555	2,183,840
Fees and Reimbursements	20,832	48,004		68,836	(11,995)	56,841
Net Realized Gains (Losses)	55,644	668	(4,988)	51,324		51,324
Net Gains (Losses) on Financial Instruments at Fair Value and Foreign Exchange	(3,605,617)	199,565	1,076	(3,404,976)		(3,404,976)
Insurance Recoveries			6,400	6,400		6,400
Total Revenues	(2,100,731)	1,830,524	16,700	(253,507)	(29,047)	(282,554)
Expenses:						
Losses and Loss Adjustment	900,345			900,345		900,345
Amortization of Deferred Acquisition Costs	66,873			66,873		66,873
Operating	133,259	105,349	28,865	267,473	(28,601)	238,872
Interest Expense	81,810	1,414,944	80,740	1,577,494	(446)	1,577,048
Total Expenses	1,182,287	1,520,293	109,605	2,812,185	(29,047)	2,783,138
Income (Loss) from Continuing Operations before Income Taxes	$ (3,283,018)	$ 310,231	$ (92,905)	$ (3,065,692)	$	(3,065,692)
Benefit for Income Taxes						(1,143,744)
Loss from Continuing Operations						(1,921,948)
Income from Discontinued Operations, Net of Tax						
Net Loss						$ (1,921,948)

(1) Eliminations include:
- Elimination of intercompany premium income and expense.
- Elimination of intercompany asset management fees and expenses.
- Elimination of intercompany interest income and expense pertaining to intercompany receivables and payables.

	Year Ended December 31, 2006					
	Insurance	Investment Management Services	Corporate	Subtotal	Eliminations(1)	Consolidated
Revenues:						
Gross Premiums Written	$ 921,964	$	$	$ 921,964	$ (36,711)	$ 885,253
Ceded Premiums	(107,287)			(107,287)	8,696	(98,591)
Net Premiums Written	814,677			814,677	(28,015)	786,662
Premiums Earned	852,603			852,603	(28,015)	824,588
Net Investment Income	581,103	1,167,241	13,462	1,761,806	20,540	1,782,346
Fees and Reimbursements	33,498	44,299		77,797	(11,322)	66,475
Net Realized Gains	5,615	6,060	3,763	15,438		15,438
Net Gains on Financial Instruments at Fair Value and Foreign Exchange	904	13,162	428	14,494		14,494
Insurance Recoveries						
Total Revenues	1,473,723	1,230,762	17,653	2,722,138	(18,797)	2,703,341
Expenses:						
Losses and Loss Adjustment	80,889			80,889		80,889
Amortization of Deferred Acquisition Costs	66,012			66,012		66,012
Operating	155,863	85,419	18,614	259,896	(18,593)	241,303
Interest Expense	76,490	1,024,903	80,685	1,182,078	(204)	1,181,874
Total Expenses	379,254	1,110,322	99,299	1,588,875	(18,797)	1,570,078
Income (Loss) from Continuing Operations before Income Taxes	$ 1,094,469	$ 120,440	$ (81,646)	$ 1,133,263	$	1,133,263
Provision for Income Taxes						320,080
Income from Continuing Operations						813,183
Income from Discontinued Operations, Net of Tax						6,076
Gain on Sale of Discontinued Operations, Net of Tax						29
Net Income						$ 819,288

(1) Eliminations include:
- Elimination of intercompany premium income and expense.
- Elimination of intercompany asset management fees and expenses.
- Elimination of intercompany interest income and expense pertaining to intercompany receivables and payables.

	Three Months Ended December 31		Year Ended December 31	
Net Income (Loss) per Common Share:	2006	2007	2006	2007
Basic	$ 1.36	$ (18.55)	$ 6.17	$ (15.17)
Diluted	$ 1.32	$ (18.55)	$ 5.99	$ (15.17)
Weighted-Average Number of Common Shares Outstanding:				
Basic	132,898,187	123,739,225	132,794,334	126,670,332
Diluted	137,042,313	123,739,225	136,694,798	126,670,332

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MBIA INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

	December 31, 2006	December 31, 2007 (Unaudited)
Assets		
Investments:		
Fixed-Maturity Securities Held as Available-for-Sale, at Fair Value (Amortized Cost $27,327,315 and $30,199,471)(2007 includes hybrid financial instruments at Fair Value $596,537)	$ 27,755,667	$ 29,589,098
Investments Held-To-Maturity, at Amortized Cost (Fair Value $5,187,766 and $5,036,465)	5,213,464	5,053,987
Investments Pledged as Collateral, at Fair Value (Amortized Cost $176,179 and $1,243,245)	175,834	1,227,153
Short-Term Investments, at Amortized Cost	2,960,646	5,464,708
Other Investments	971,707	730,711
Total Investments	37,077,318	42,065,657
Cash and Cash Equivalents	269,277	263,732
Accrued Investment Income	526,468	590,060
Deferred Acquisition Costs	449,556	472,516
Prepaid Reinsurance Premiums	363,140	325,555
Reinsurance Recoverable on Unpaid Losses	46,941	82,041
Goodwill	79,406	79,406
Property and Equipment (Net of Accumulated Depreciation)	105,950	104,036
Receivable for Investments Sold	77,593	111,130
Derivative Assets	521,278	1,715,881
Current Income Taxes		142,763
Deferred Income Taxes, Net		1,173,658
Other Assets	246,103	288,639
Total Assets	$ 39,763,030	$ 47,415,074
Liabilities and Shareholders Equity		
Liabilities:		
Deferred Premium Revenue	$ 3,129,620	$ 3,138,396
Loss and Loss Adjustment Expense Reserves	537,037	1,346,423
Investment Agreements	12,482,976	16,107,909
Commercial Paper	745,996	850,315
Medium-Term Notes (2007 includes hybrid financial instruments at fair value $374,575)	10,951,378	12,830,777
Variable Interest Entity Floating Rate Notes	1,451,928	1,355,792
Securities Sold Under Agreements to Repurchase	169,432	1,163,899
Short-Term Debt	40,898	13,383
Long-Term Debt	1,215,289	1,225,280
Current Income Taxes	6,970	
Deferred Income Taxes, Net	476,189	
Deferred Fee Revenue	14,862	15,059
Payable for Investments Purchased	319,640	41,359
Derivative Liabilities	400,318	5,006,549
Other Liabilities	616,243	664,128
Total Liabilities	32,558,776	43,759,269
Shareholders Equity:		

Common Stock	158,330	160,245
Additional Paid-in Capital	1,533,102	1,649,511
Retained Earnings	6,399,333	4,301,880
Accumulated Other Comprehensive Income (Loss)	321,293	(490,829)
Treasury Stock	(1,207,804)	(1,965,002)
Total Shareholders Equity	7,204,254	3,655,805
Total Liabilities and Shareholders Equity	$ 39,763,030	$ 47,415,074

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Warburg Pincus Investment

On December 10, 2007, we entered into an investment agreement (the Investment Agreement) with Warburg Pincus, pursuant to which Warburg Pincus committed to invest up to $1 billion in MBIA through a direct purchase of MBIA common stock and the backstop of a rights offering.

Under the terms of the Investment Agreement, Warburg Pincus made an initial investment of $500 million in MBIA through the acquisition of 16.1 million shares of MBIA common stock on January 30, 2008. Pursuant to the Investment Agreement, Warburg Pincus also received warrants to purchase 8.7 million shares of MBIA common stock at a price of $40 per share and B warrants, which, upon obtaining certain approvals, will become exercisable to purchase an additional 7.4 million shares of common stock at a price of $40 per share. The term of the warrants is seven years. In addition, all of the securities purchased by Warburg Pincus at the January 30, 2008 closing are subject to transfer restrictions for a minimum of one year and up to three years. As part of the Investment Agreement, MBIA s maximum board size has been increased to a new total of thirteen members, and we have appointed two Warburg Pincus nominees to the board of directors.

Pursuant to the Investment Agreement, MBIA s senior management agreed to invest a total of $2 million in MBIA common stock at $31 per share, which investments will be completed within 60 days of January 30, 2008. The terms of the management investment are described in MBIA s current report on Form 8-K filed with the SEC on December 26, 2007.

On February 6, 2008 we and Warburg Pincus entered into an Amended and Restated Investment Agreement to provide that Warburg Pincus would backstop this offering by agreeing to purchase up to $750 million of convertible participating preferred stock, or preferred stock. Pursuant to the terms of the amended Investment Agreement, Warburg Pincus s obligation to backstop a rights offering will be reduced by the sum of (i) the aggregate price of the shares of our common stock we sell in this offering and (ii) the aggregate purchase price of any preferred stock we sell to Warburg Pincus in connection with this offering.

Under the backstop commitment for this offering, MBIA may elect to sell to Warburg Pincus a number of shares of preferred stock for an aggregate purchase price equal to the difference, if any, between (A) $750 million and (B) the product of (i) the per share offering price of the common stock in this offering and (ii) the number of shares of common stock sold in this offering (the Backstop Shortfall Amount). Each share of preferred stock will have a per share price of $1,000, with an as-converted-price per share of our common stock equal to a price that is 15% below the last reported sale price of our common stock on February 6, 2008 (the As-Converted-Price). Warburg Pincus has the option, exercisable at any time prior to the later of the closing of this offering or February 15, 2008, to purchase up to $300 million of preferred stock (the Backstop Option). The Backstop Shortfall Amount will be decreased on a dollar for dollar basis to the extent of Warburg Pincus s exercise of the Backstop Option. In addition, the Investment Agreement does not prohibit Warburg Pincus from purchasing shares in this offering. The backstop is conditioned upon this offering being closed by February 15, 2008. We intend to agree with the underwriters that, in connection with this offering, we will exercise our election to sell our preferred stock for the entire Backstop Shortfall Amount, assuming that this offering is completed.

Pursuant to the terms of the amended Investment Agreement, Warburg Pincus will receive B warrants, which, upon obtaining certain approvals, will become exercisable to purchase between 4 million and 8 million shares of MBIA common stock at a price per share equal to a price that is approximately 33% above the As-Converted-Price, whether or not this offering is completed, depending on the portion of the backstop we utilize. The term of the B warrants is seven years.

The backstop closing is subject to limited closing conditions, including performance of specified covenants and the absence of any injunction or other legal prohibition on closing. The backstop closing will occur as

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promptly as practical, but at Warburg Pincus option, the backstop closing may take place up to 12 business days following MBIA s satisfaction of the closing conditions and the determination of the amount of preferred shares Warburg Pincus will purchase.

The terms of the preferred stock will provide that the preferred stock is non-voting and is mandatorily convertible into common stock, as described in The Investment Agreement and the Backstop Commitment The Backstop Commitment, once all shareholder approvals necessary for such conversion are received by MBIA. The preferred stock will generally be entitled to the same dividends as our common stock. In the event that the preferred stock has not converted to common stock prior to the six month anniversary of its issuance, the holders of the majority of the preferred stock shall have consent over the payment of dividends on our common stock. For periods starting on or after July 1, 2008, the preferred stock will accrue an additional dividend, only payable in kind, at an annual rate of 10%. Beginning one-year following the date that the preferred stock is issued, Warburg Pincus may require MBIA to redeem the preferred stock, subject to certain limitations, at a redemption price equal to 1.2 times the greater of (i) $1,000 per share (plus any accrued and unpaid dividends) or (ii) the market price of the common stock that would have been received for one share of preferred stock had such preferred stock been converted one business day prior to the date of the notice related to such redemption. Warburg Pincus generally may redeem only up to one-third of the aggregate remaining preferred stock during any one year. However, Warburg Pincus may redeem an amount greater than this cap under a number of circumstances. See The Investment Agreement and the Backstop Commitment The Backstop Commitment and Risk Factors Failure of our shareholders to approve the conversion of any preferred stock sold to Warburg Pincus to common stock at the 2008 annual meeting of our shareholders could materially adversely affect the value of your investment in the Company.

We do not expect to utilize any portion of the backstop because we have sold more than $750 million of our common stock in this offering. Accordingly, Warburg Pincus will not receive any warrants beyond the B warrants to purchase 4 million of our shares of common stock that we issued to Warburg Pincus in connection with the entry into the amended Investment Agreement. Warburg Pincus has informed us that it is purchasing $300 million of our common stock in this offering, and that it does not intend to exercise the Backstop Option to purchase $300 million of our preferred stock, assuming such purchase of $300 million of our common stock at the closing of this offering. Therefore, it is not anticipated that any preferred stock will be issued in connection with this offering.

The Amended and Restated Investment Agreement will be attached as an exhibit to an MBIA current report on Form 8-K to be filed with the SEC and incorporated herein by reference.

MBIA Corp. Surplus Notes Offering

On January 16, 2008, MBIA Corp. closed an offering of $1 billion of Surplus Notes, which MBIA Corp. issued as part of our comprehensive plan to strengthen our capital as described below under MBIA Capital Plan. The offering consisted of $1 billion principal amount of Surplus Notes due in 2033 with an initial interest rate of 14 percent until January 15, 2013 and thereafter at an interest rate of three-month LIBOR plus 11.26 percent. The Surplus Notes are callable at par at MBIA Corp. s option on the fifth anniversary of the date of issuance and every fifth anniversary thereafter, subject to prior approval by the Superintendent and other restrictions. The fiscal agency agreement governing the Surplus Notes is filed as an exhibit to MBIA s Current Report on Form 8-K filed with the SEC on January 17, 2008.

Rating Agency Review

In recent months, Moody s, S&P and Fitch have made several announcements with respect to our ratings, as described below. The current status of our and MBIA Corp. s ratings is as follows:

Current Status

Agency	Rating (MBIA Inc. / MBIA Corp.)	Outlook	Date of Last Announcement
Moody s	Aa3/Aaa	Watch list negative	January 17, 2008
S&P	AA-/AAA	Credit watch negative	January 31, 2008
Fitch	AA/AAA	Rating watch negative	February 5, 2008

Moody s

On December 5, 2007, Moody s published a comment intended to update the market about Moody s analytic work as well as to offer additional detail about the methods and processes underlying their assessment of the continuing deterioration in the RMBS market on their ratings of financial guarantors, including MBIA. In its comment, Moody s indicated three factors that would largely determine whether Moody s takes rating actions on those financial guarantee insurers most exposed to deterioration in the mortgage markets: (1) current capital adequacy whether the guarantor meets Moody s capital adequacy benchmarks for its rating; (2) prospective capital adequacy whether the guarantor will meet Moody s capital adequacy benchmarks in the near and medium term, and (3) strength of franchise and business model whether the guarantor will be able to access, going forward, attractive business opportunities consistent with its rating level. Moody s further indicated that, based on additional analysis of MBIA s RMBS portfolio, Moody s believed that MBIA was somewhat likely to exhibit a capital shortfall.

On December 14, 2007, Moody s released ratings announcements concerning a number of financial guarantee insurers, including MBIA Corp., resulting from Moody s reassessment of such insurers capital adequacy. Moody s affirmed MBIA Corp. s insurance financial strength rating at Aaa but changed its outlook for MBIA Corp. to negative from stable, while confirming the outlook of three of MBIA Corp. s competitors as stable. Moody s indicated that this action reflected the stress to MBIA Corp. from its mortgage-related exposures as well as the steps already taken, and likely to be taken, by MBIA Corp. to strengthen its capital position. Moody s also indicated that MBIA Corp. s current capitalization is below the target Aaa level, and would be close to the minimum Aaa level under Moody s stress scenario. Moody s further indicated that while it believes that the investment by Warburg Pincus, as described above under Warburg Pincus Investment, will address MBIA Corp. s estimated shortfall in hard capital, the negative outlook reflects uncertainty concerning the performance of MBIA Corp. s insured portfolio and the ultimate resolution of its total capital plan. In addition, Moody s stated that it will evaluate any changes in MBIA Corp. s governance, strategy and risk management made in response to the material stress faced by MBIA Corp. on its mortgage-related exposures. Moody s stated in its announcement that it expected to revise MBIA Corp. s outlook to stable to the extent MBIA Corp. executed an overall capital plan that reestablished a robust capital position. See MBIA Capital Plan below for a discussion of our capital plan.

On January 17, 2008, Moody s placed the Aaa insurance financial strength ratings of MBIA Corp. and its insurance affiliates, the Aa2 ratings of MBIA Corp. s newly issued Surplus Notes, and the Aa3 ratings of the junior obligations of MBIA Corp. and the senior debt of MBIA Inc. on watch list negative. Moody s stated in its announcement that the rating action reflects Moody s growing concern about the potential volatility in ultimate performance of mortgage and mortgage-related CDO risks, and the corresponding implications for MBIA s risk-adjusted capital adequacy.

On January 31, 2008, Moody s published its preliminary views about the financial guarantee industry. It stated that its estimate of the capital needed to support the mortgage-related risk of some guarantors has risen significantly, and that some existing firms may be unable to restore financial strength to levels consistent with a Aaa rating, which could possibly lead them to pursue a more narrow business focus or enter runoff. Moody s indicated that a Aaa guarantor needs an adequate level of capital, a risk management and underwriting framework commensurate with that capital, and a viable business plan. Moody s suggested that if any one of these characteristics were judged by it to be inadequate, it would expect to lower the guarantor s rating. Moody s added that the business orientation and underwriting guidelines of firms in this sector might require meaningful change in order to retain Aaa ratings.

S&P

On November 26, 2007, S&P s Global Bond Insurance Group announced that it was preparing a comment on bond insurers subprime exposure. S&P s comment on this topic from August 2, 2007 included a stress scenario for the primary bond insurers that reflected an opinion that conservative theoretical deterioration of subprime RMBS and CDOs with subprime collateral would not impair the bond insurers capital adequacy.

On December 19, 2007, S&P released ratings announcements concerning a number of financial guarantee insurers, including MBIA, resulting from worsening expectations for the performance of insured subprime RMBS and CDOs of asset-backed securities. S&P affirmed MBIA s insurance financial strength rating at AAA but changed its outlook for MBIA to negative from stable, while confirming the outlook of two of MBIA s competitors as stable. S&P indicated in its announcement that its research has led [S&P] to the conclusion that the potential for further mortgage market deterioration remains uncertain and will challenge the ability of the insurers to accurately gauge their ongoing additional capital needs in the near term. As a result, [S&P] [is] effectively adopting a negative outlook for those firms with significant exposure to domestic subprime mortgages and/or meaningful lower credit quality exposures. The assignment of a negative outlook also reflects Standard & Poor s assessment with regard to the strength of a company s capital position when weighed against projected stress case losses as well as the comprehensiveness and degree of completion of projected capitalization strengthening efforts underway.

On January 15, 2008, S&P announced that it had revised its surveillance assumptions for U.S. RMBS securities, in particular that it increased the expected loss assumption for 2006 vintage subprime collateral to 19% from 14%. The change in assumptions was driven by negative trends in monthly performance data for subprime mortgages as well as certain macroeconomic factors driving U.S. home prices.

On January 17, 2008, S&P released updated results of its Bond Insurance Stress Test for financial guarantors in light of its revised assumptions for subprime-related exposures. In its report, S&P concluded that the increased stress losses resulting from the revised assumptions was not significant for MBIA in the context of its capital position and intended capital plan. As such, MBIA s ratings and outlook, as well as those of all other financial guarantee companies, remained unchanged from their previous position as announced by S&P on December 19, 2007.

On January 30, 2008, S&P announced that it placed on credit watch with negative implications or downgraded its ratings on 6,389 classes from U.S. RMBS transactions backed by U.S. first-lien subprime mortgage collateral rated between January 2006 and June 2007. At the same time, S&P placed on credit watch negative 1,953 ratings from 572 global CDO of asset-backed securities (ABS) and CDO of CDO transactions. The rating actions were primarily driven by S&P s revised surveillance assumptions for subprime RMBS and their related impact on ABS CDOs and CDOs of CDOs which had been announced on January 15, 2008.

On January 31, 2008, S&P placed the AAA insurance financial strength ratings of MBIA Corp. and its insurance affiliates, the AA- rating of MBIA s senior debt and the AA ratings of MBIA Corp. s North Castle Custodial Trusts I-VIII on credit watch with negative implications. This rating action by S&P was the result of

S&P s most recent review of MBIA s capital plan. S&P stated in its announcement regarding the change that [a]lthough MBIA has succeeded in accessing $1.5 billion of additional capital, the magnitude of projected losses underscores our view that time is of the essence in the completion of capital-raising efforts.

Fitch

On December 20, 2007, Fitch placed the AA ratings of MBIA Inc. and AAA ratings of MBIA Corp. and its subsidiaries on rating watch negative pending MBIA Inc. s raising additional capital, while confirming the outlook of two of MBIA Corp. s competitors as stable. In its press release, Fitch identified a shortfall of approximately $1 billion and stated that If at any time during the next four-to-six weeks, MBIA is able to obtain capital commitments and/or put in place reinsurance or other risk mitigation measures, on top of the $1 billion capital commitment the company received from Warburg Pincus, that would help improve MBIA s Matrix result at an AAA rating stress, Fitch would anticipate affirming MBIA s ratings with a Stable Rating Outlook. Fitch also noted that if MBIA Inc. is unable to obtain capital commitments or put into place reinsurance or other risk mitigation measures to address its capital shortfall in the noted timeframe, Fitch would expect to downgrade MBIA s insurer financial strength ratings by one notch to AA+.

In connection with the completion of MBIA Corp. s Surplus Notes offering described above, Fitch announced on January 16, 2008, that it reaffirmed MBIA Corp. s AAA ratings with a Stable Rating Outlook.

Due to the continued deterioration in the performance of U.S. subprime mortgages, on February 1, 2008, Fitch announced that it placed on rating watch negative approximately $139 billion of 2,972 rated classes of 2006 and 2007 subprime RMBS. Fitch also increased its loss expectations for U.S. subprime RMBS-backed predominantly by first-lien mortgages originated in 2006 and the first half of 2007, with average cumulative loss expectations, as a percentage of the initial securitized balance, of 21% and 26%, respectively.

On February 5, 2008, Fitch placed the AAA insurer financial strength ratings of MBIA Corp. and its insurance affiliates, the AA ratings of MBIA Corp. s newly issued Surplus Notes and the AA long-term debt rating of MBIA Inc. on rating watch negative. Fitch announced that it was updating certain modeling assumptions in its ongoing analysis of the financial guaranty industry, specifically related to exposures to structured finance collateralized debt obligations (SF CDOs). Fitch expects that simulated capital model losses and expected losses will increase materially for MBIA Corp. due to its exposure to SF CDOs and that these losses may be inconsistent with its AAA rating standards for financial guarantors. Fitch noted that MBIA s addition of $1.5 billion of new capital with a further $500 million equity investment through a rights offering backstopped from Warburg Pincus may not be sufficient to address the necessary capital needed to maintain MBIA s AAA [insurer financial strength] rating. Fitch also noted that a material increase in claim payments would be inconsistent with AAA ratings for financial guarantors and could potentially call into question the appropriateness of AAA ratings for those affected companies, regardless of their ultimate capital.

MBIA Capital Plan

MBIA has adopted and is executing a comprehensive capital plan to address the respective rating agencies triple-A capital requirements through actions that either reduce our retained risk or that increase our capitalization. The rating agencies have previously identified shortfalls ranging from $1.75 billion to $2.0 billion in our rating agency capital base. However, Moody s, S&P and Fitch have recently announced changes in certain of their assumptions that could increase the amount that we estimate will be required, or that they have previously announced is required, to support our ratings, which could materially increase the amount of the shortfall. In response to these rating agency developments, we have increased the amount of capital we plan to raise from the range of $2.4 billion to $2.7 billion disclosed in our Current Report on Form 8-K filed with the SEC on January 9, 2008. Our capital plan has the following primary elements:

- Warburg Pincus invested $500 million in common stock, which transaction closed on January 30, 2008. Warburg Pincus also received warrants to purchase additional shares at $40 per share. See Warburg Pincus Investment;

- this offering of 82,304,527 shares of common stock, up to $750 million of which is backstopped by Warburg Pincus as described under The Investment Agreement and the Backstop Commitment;

- MBIA Corp. s offering of $1.0 billion of surplus notes, which closed on January 16, 2008; and

- capital generation from the maturing of existing transactions and decrease in the number of new transactions consummated, which reduced our rating agency capital requirement by a range of approximately $250 million to $500 million, depending on the rating agency, in the fourth quarter of 2007.

In the aggregate, we expect that these elements will contribute between $2.75 billion and $3.0 billion to cover the shortfalls identified by the rating agencies. Based on discussions with the rating agencies and our estimates of the potential capital requirements under their models, we believe that, in the absence of new market developments over which we have no control, the successful implementation of this capital plan will result in a robust capital position.

To a lesser extent, our capital plan includes creating additional capital capacity by reducing our shareholder dividend and by possibly entering into reinsurance agreements. On January 8, 2008, the board of directors of MBIA voted to reduce MBIA s quarterly dividend rate to 13 cents per share from the most recent quarterly dividend rate of 34 cents per share. After giving effect to this offering, the dividend reduction is expected to preserve approximately $55 million in capital per year. We are also exploring the purchase of reinsurance covering a diversified portion of our portfolio, which, if it occurs, is expected to reduce our rating agency capital requirements by up to $200 million and is expected to occur in the near term.

We are having ongoing discussions with the New York State Insurance Department (the Department) and various investment banks regarding possible transactions that would serve to further improve our capital position. These transactions, if any, may include derivatives, capital infusions, reinsurance transactions and other possible forms. There can be no certainty as to the outcome of these discussions, whether any transactions will be executed and, if so, the timing or form of any such transactions.

Contact with the Department and the SEC

We have recently had discussions with and have provided information on a voluntary basis to the Department and the SEC in response to informal inquiries with respect to certain matters, including the Warburg Pincus transaction, our announcement of preliminary loss reserve estimates on December 10, 2007, related to our RMBS exposure and disclosures regarding our CDO exposure. We may receive additional inquiries from and may provide additional information to these agencies in response to any inquiries with respect to these or other matters in the future. In addition, in connection with the discussions with the Department, MBIA Corp. committed to provide the Department with advance notice of certain matters such as the payment of dividends, including ordinary dividends, MBIA Corp. s approach to its structured finance business and significant transactions that are not in the ordinary course of business and to continue to discuss such matters with the Department.

Massachusetts Subpoena

On January 22, 2008 we received a Subpoena Duces Tecum and Interrogatories (collectively, the Subpoena) from the Securities Division of the Commonwealth of Massachusetts (the Securities Division) dated January 18, 2008. The Subpoena seeks information regarding the Massachusetts Public Issuer Bonds (defined to include debt securities of the Commonwealth of Massachusetts and any political subdivision thereof, any quasi-governmental entity located in Massachusetts, and any city, town or county of Massachusetts and any political subdivision thereof) insured by MBIA Corp. from January 1, 2006 to the present, and requires production of related offering materials and written disclosures pertaining to MBIA Corp. and provided by MBIA Corp. to the underwriters or issuers of such Massachusetts Public Issuer Bonds.

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Portfolio Data

The tables below summarize our insured portfolio as of December 31, 2007.

Total Insured Portfolio

$678.7 billion net par outstanding

Public Finance		Structured Finance	
$440.9 billion net par outstanding		$237.8 billion net par outstanding	
Net Par Outstanding by Bond Type	**% of Total**	**Net Par Outstanding by Bond Type**	**% of Total**
General Obligation	39%	CDOs	55%
Municipal Utility	18%	Mortgage Backed Residential	18%
Special Revenue	11%	Mortgage Backed Commercial	3%
Transportation	10%	Consumer Asset Backed	9%
Health Care	6%	Corporate Asset Backed	15%
Higher Education	6%		
Housing	4%		
Investor Owned Utilities	3%		
Sovereign/Sub Sovereign Total	3%		
Total	100%	Total	100%

Multi-Sector CDOs

$30.1 billion net par outstanding

Multi-sector CDOs are secured by securities from multiple sectors including direct corporate debt (Corp), pools of corporate debt (including collateralized bond obligations (CBOs) and collateralized loan obligations (CLOs)), consumer and corporate ABS (e.g. credit card and auto loan, commercial equipment lease, commercial loan securitizations), CMBS, RMBS, CDOs of ABS and RMBS and other types of fixed income collateral.

Net Par Outstanding by Classification	% of Total
CDOs of High Grade U.S. ABS(1)	53%
CDOs of Mezzanine ABS(2)	12%
CDOs of Multi-Sector High-Grade Collateral(3)	29%
Secondary Market and Other(4)	6%
Total	100%

Net Par Outstanding by Rating(5)	% of Total
AAA	61.5%
AA	15.2%
A / BBB	10.9%
Below Investment Grade	12.4%
Total	100%

(1) High Grade collateral pools consist mostly of originally triple-A and double-A rated classes (with some single-A rated classes) of structured finance securities.
(2) Mezzanine collateral pools consist mostly of originally triple-B rated classes (with some double-B rated classes) of structured finance securities.
(3) See the following table for a description of CDOs of Multi-Sector High-Grade Collateral.
(4) Secondary Market refers to transactions insured by MBIA in the secondary market.
(5) Most conservative of MBIA, Moody s and S&P.

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The following table presents an additional breakdown of the $30.1 billion Multi-Sector CDO portfolio. The table details only transactions entered into after 2004, and accordingly does not readily reconcile to the table detailing the classifications within the Multi-Sector CDO portfolio above.

		Collateral as % of Pool									
Quarter Insured	Net Par ($mil)	Other RMBS	Sub-prime RMBS	ABS	CMBS	CLO	CDO of ABS	Other CDO	Cash	Current Subordination Below MBIA(1)	Final Maturity
CDOs of High-Grade U.S ABS											
Q4-2004	656	17%	40%	10%	2%	3%	20%	5%	3%	12.6%	2044
Q3-2004	653	39%	21%	13%	4%	12%	8%	1%	2%	13.1%	2039
Q4-2005	600	44%	33%	1%	1%	4%	8%	8%	2%	20.1%	2041
Q3-2006	1,115	56%	20%	0%	0%	0%	22%	1%	1%	14.1%	2049
Q3-2006	828	21%	47%	5%	14%	0%	11%	1%	1%	8.8%	2046
Q3-2006	608	48%	23%	0%	11%	1%	16%	0%	0%	13.5%	2046
Q2-2006	723	65%	34%	0%	1%	0%	0%	0%	0%	13.4%	2046
Q1-2007	1,187	48%	26%	0%	1%	0%	24%	1%	0%	8.4%	2052
Q1-2007	1,202	57%	16%	0%	0%	0%	27%	0%	0%	13.2%	2050
Q1-2007	1,684	3%	53%	0%	16%	13%	0%	14%	0%	14.9%	2053
Q1-2007	1,175	24%	46%	0%	0%	0%	29%	0%	0%	13.1%	2048
Q2-2007	950	51%	26%	1%	3%	0%	20%	0%	0%	17.2%	2049
Q2-2007	896	26%	27%	0%	23%	4%	14%	5%	0%	12.0%	2052
Q3-2007	563	43%	28%	0%	0%	0%	30%	0%	0%	47.9%	2054
Q3-2007	466	37%	31%	2%	0%	2%	23%	5%	0%	48.9%	2050
Q3-2007	449	53%	18%	0%	0%	0%	30%	0%	0%	57.1%	2051
Q3-2007	997	4%	66%	0%	0%	0%	25%	4%	0%	47.6%	2053
Q3-2007	563	27%	43%	0%	0%	0%	30%	0%	0%	49.4%	2054
Q3-2007	412	27%	43%	0%	0%	0%	30%	0%	0%	46.0%	2053
Q3-2007	375	34%	28%	0%	8%	0%	30%	0%	0%	50.2%	2050
Sub-total	16,101										

		Collateral as % of Pool										
Quarter Insured	Net Par ($mil)	Other RMBS	Sub-prime RMBS	ABS	CMBS	Corp	CLO	CDO of ABS	Other CDO	Cash	Current Subordination Below MBIA(1)	Final Maturity
CDOs of Mezzanine U.S. ABS(2)												
Q3-2000	40	15%	2%	22%	60%	0%	0%	0%	0%	1%	20.7%	2035
Q2-2002	135	47%	11%	8%	5%	19%	0%	10%	0%	0%	9.7%	2032
Q1-2002	44	44%	5%	20%	15%	9%	7%	0%	0%	0%	52.5%	2034
Q2-2002	161	37%	13%	28%	19%	0%	0%	1%	1%	1%	34.6%	2037
Q1-2002	191	24%	11%	36%	13%	0%	13%	0%	0%	2%	15.4%	2032
Q2-2002	97	17%	12%	14%	6%	0%	16%	36%	0%	1%	49.6%	2038
Q4-2002	263	31%	8%	25%	18%	9%	2%	4%	1%	2%	25.3%	2037
Q2-2002	49	0%	0%	0%	62%	5%	25%	0%	5%	3%	79.0%	2017
Q2-2003	473	38%	19%	14%	19%	0%	7%	0%	1%	1%	21.7%	2038
Q3-2003	291	40%	21%	18%	17%	0%	2%	1%	1%	0%	26.5%	2038
Q4-2003	50	34%	26%	31%	0%	0%	0%	0%	7%	2%	42.8%	2028
Q4-2003	116	18%	57%	12%	9%	3%	0%	0%	0%	0%	46.5%	2038
Q4-2004	198	65%	17%	0%	6%	0%	0%	9%	0%	3%	27.4%	2040
Q4-2004	171	23%	52%	12%	12%	0%	0%	0%	1%	0%	39.4%	2039
Q4-2004	218	33%	41%	4%	12%	0%	6%	1%	3%	1%	26.9%	2039
Q1-2007	468	49%	43%	0%	3%	0%	0%	5%	1%	0%	32.6%	2051
Sub-total	2,966											

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		Collateral as % of Pool										
Quarter Insured	**Net Par ($mil)**	**Other RMBS**	**Sub-prime RMBS**	**ABS**	**CMBS**	**Corp**	**CLO**	**CDO of ABS**	**Other CDO**	**Cash**	**Current Subordination Below MBIA(1)**	**Final Maturity**
CDOs of Multi-Sector High Grade Collateral												
Q2-2001	244	0%	0%	0%	0%	0%	68%	0%	32%	0%	16.1%	2015
Q3-2003	53	0%	0%	0%	0%	0%	75%	0%	25%	0%	57.9%	2015
Q1-2004	287	0%	0%	0%	0%	0%	50%	27%	21%	1%	15.4%	2038
Q4-2004	1,350	0%	0%	0%	0%	0%	72%	17%	12%	0%	10.0%	2041
Q3-2005	1,430	0%	19%	0%	0%	0%	66%	15%	0%	0%	10.0%	2045
Q2-2006	1,074	2%	22%	0%	0%	0%	50%	21%	5%	0%	10.3%	2046
Q4-2006	1,077	0%	20%	4%	0%	0%	29%	38%	8%	0%	13.0%	2056
Q3-2007	990	8%	16%	0%	0%	0%	28%	31%	17%	0%	15.0%	2057
Q3-2007	2,160	0%	0%	0%	0%	0%	86%	8%	6%	0%	13.0%	2057
Sub-total	8,665											
Total	27,732											
	756	Multi-Sector CDOs European Mezzanine & Other Collateral (3 CDOs)										
	1,570	Multi-Sector CDOs insured in the Secondary Market prior to 2004 (35 CDOs)										
Grand Total	30,057											

(1) In our CDOs, MBIA benefits from two sources of credit enhancement. For deals where we guarantee timely interest and ultimate principal or ultimate principal only, the securities underlying MBIA s wrapped tranche are high grade interests in securitizations, with subordination that must be fully eroded before MBIA s interest is affected. In such a case, our CDO would have substantial subordination below it, as referenced in the table. This subordination must be fully eroded before MBIA would be subjected to a claim. For asset coverage guarantees, the CDO level of subordination, or deductible must be fully depleted by individual credit events before MBIA would be susceptible to a claim.

(2) The table does not provide collateral level detail on 38 CDOs totaling $2.3 billion of net par. Three deals, with $756 million of net par, contain European Mezzanine ABS assets and other collateral, and were closed in 2005 and 2006. In addition, 35 deals represent insurance sold to investors for CDO tranches in their portfolios (secondary market insurance executions). The deals total $1.57 billion of par and all were insured prior to 2004. In addition, all 35 deals were rated triple-A at the time MBIA wrote insurance on them.

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Direct RMBS

$43.4 billion net par outstanding(1)

Direct RMBS are residential mortgage-backed securities insured by MBIA in either the primary new issuance market or in the secondary market. The Direct RMBS category does not include RMBS included as collateral in CDOs insured by MBIA, including in Corporate, Multi-Sector and Commercial Real Estate CDOs.

Net Par Outstanding by Classification	% of Total
First Mortgage(2)	40%
Closed-End Second Mortgage(3)	24%
Home Equity Lines of Credit(4)	26%
Subprime Mortgage(5)	10%
Total	100%

(1) Excludes manufactured housing exposures.

(2) First Mortgage refers to securitizations of mortgage loans to prime quality borrowers secured by a first lien on residential property.

(3) Closed-End Second Mortgage refers to securitizations of mortgage loans to generally prime quality borrowers secured by a second lien on residential property.

(4) Home Equity Lines of Credit refers to securitizations of home equity lines of credit to generally prime quality borrowers secured by a second lien on residential property.

(5) Subprime Mortgage refers to securitizations of mortgage loans to subprime quality borrowers generally secured by a first lien on residential property.

Closed-End Seconds & Home Equity Lines of Credit

$21.5 billion net par outstanding

The following table details the years of issuance of our Closed-End Second Mortgage and Home Equity Lines of Credit Direct RMBS portfolio discussed in the table above.

Net Par Outstanding by Year of Issuance	% of Total
Prior to 2005	10%
2005	12%
2006	38%
2007	40%
Total	100%

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The Offering

Common stock offered	82,304,527 shares of common stock, par value $1.00 per share, of MBIA Inc.
Number of shares outstanding after the offering	223,818,702.
Option to purchase additional shares of common stock	We have granted the underwriters a 30-day option to purchase up to an additional 12,345,679 shares of our common stock to cover over-allotments.
Use of proceeds	The net proceeds of this offering and the backstop commitment shall be used to support our business plan and operations. See Use of Proceeds.
Dividend policy	Currently, quarterly dividend rate of 13 cents per share.
New York Stock Exchange symbol	MBI
Backstop commitment	Warburg Pincus will provide a backstop for this offering by agreeing to purchase up to $750 million of preferred stock. We do not expect to utilize any portion of the backstop because we have sold more than $750 million of our common stock in this offering. For a description of the terms of the backstop commitment and the preferred stock, see The Investment Agreement and the Backstop Commitment.
Risk Factors	An investment in the shares involves a high degree of risk. You should not invest unless you can afford to lose your entire investment. These risks, which are discussed in more detail under Risk Factors, include:

Significant exposure to developing credit risks. We are exposed to significantly greater risk than anticipated with respect to a substantial portion of the credit risks for which we provide protection. There is no way for us to know the extent or duration of continued deterioration in the credit markets or its impact on our claim payments or other losses in our portfolio.

Dependence on ratings. Our business model is largely dependent on the triple-A financial strength and financial enhancement ratings assigned by the major rating agencies to MBIA Corp. and its affiliated insurance companies and we cannot guarantee that we will be able to meet evolving rating agency requirements in order to maintain those ratings.

Changing market and regulatory environments. The turmoil in the credit markets and its impact on financial guarantors has led to questions as to the value of the services provided by financial guarantors, which may lead to a decreased demand in our services. In addition, our regulators are considering a number of measures, which may include prohibiting transactions which previously constituted a significant part of our business or increased reserving or capital requirements.

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Limited liquidity. We are a holding company with no direct operations and limited assets other than our interests in our operating subsidiaries. Insurance laws limit the amount that MBIA Corp. and our other insurance subsidiaries may pay to us in dividends.

Except as otherwise noted, all information in this prospectus supplement assumes no exercise of the underwriters over-allotment option and no utilization of the Warburg Pincus backstop. Pursuant to the terms of the Investment Agreement, Warburg Pincus has the option to purchase up to $300 million of preferred stock in connection with this offering, and Warburg Pincus will receive warrants which, upon obtaining certain approvals, will become exercisable to purchase between 4 million and 8 million shares of our common stock, depending on the portion, if any, of the backstop commitment we utilize. The preferred stock will convert into MBIA common stock upon shareholder approval as described under The Investment Agreement and the Backstop Commitment.

We do not expect to utilize any portion of the backstop because we have sold more than $750 million of our common stock in this offering. Accordingly, Warburg Pincus will not receive any warrants beyond the B warrants to purchase 4 million of our shares of common stock that we issued to Warburg Pincus in connection with the entry into the amended Investment Agreement. Warburg Pincus has informed us that it is purchasing $300 million of our common stock in this offering, and that it does not intend to exercise the Backstop Option to purchase $300 million of our preferred stock, assuming such purchase of $300 million of our common stock at the closing of this offering. Therefore, it is not anticipated that any preferred stock will be issued in connection with this offering.

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RISK FACTORS

In addition to the other information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus, the following risk factors should be considered carefully when evaluating the Company and its business. The Company s business, financial condition and results of operations could be materially adversely affected by any of these risks. Additional risks not presently known to us or that we currently deem immaterial individually may also adversely affect our business, financial condition and results of operations.

Recent adverse developments in the credit markets and any potential negative impact on MBIA Corp. s insured portfolio may materially and adversely affect our financial condition, results of operations and future business

MBIA Corp. is exposed to credit risks in its portfolio that may arise from deterioration in the credit markets, wherein such deterioration in credit performance could lead to potential erosion in the quality of assets and also the collection of cash flows from such assets within structured securities that it has guaranteed. While MBIA Corp. has sought to underwrite direct RMBS and CDOs of ABS with levels of subordination and other credit enhancements designed to protect it from loss in the event of poor performance of the underlying assets collateralizing the securities in the insured portfolio, for the fourth quarter of 2007 we recorded case basis loss activity of $613.5 million and a special increase to our unallocated loss reserve of $200 million due to projected inadequacies of such credit enhancements in securities it has guaranteed. The case basis activity and special increase to unallocated loss reserve were in addition to MBIA Corp. s regular quarterly addition of 12% of scheduled earned premiums, or approximately $23 million in the fourth quarter of 2007. No assurance can be given that such credit enhancements will prove to be adequate to protect MBIA Corp. from incurring additional material losses in view of the current significantly higher rates of delinquency, foreclosure and loss being observed among residential homeowners. While further deterioration in performance of the subprime mortgage sector is generally expected, the extent and duration of any future continued deterioration of the credit markets is unknown, as is the impact, if any, on potential claim payments and ultimate losses of the securities within MBIA Corp. s portfolio. In addition, there can be no assurance that any of the governmental or private sector initiatives designed to address such credit deterioration in the markets will be implemented, and there is no way to know the effect that any such initiatives could have on the credit performance over time of the actual securities that MBIA Corp. insures.

In addition, there can be no assurance that we would be successful, or that we would not be delayed, in enforcing the subordination provisions, credit enhancements or other contractual provisions of the RMBS, CMBS and CDOs of ABS that MBIA Corp. insures in the event of litigation or the bankruptcy of other transaction parties. Many of the subordination provisions, credit enhancements and other contractual provisions of the RMBS, CMBS and CDOs of ABS that MBIA Corp. insures are untested in the market and, therefore, it is uncertain how such subordination provisions, credit enhancements and other contractual provisions will be interpreted in the event of an action for enforcement.

Individual credits in MBIA Corp. s insured portfolio (including potential new credits) are assessed a rating agency capital charge based on a variety of factors, including the nature of the credits, their underlying ratings, their tenor and their expected and actual performance. In the event of an actual or perceived deterioration in creditworthiness, a reduction in the underlying rating or a change in the rating agency capital methodology, MBIA Corp. may be required to hold more of its capital in reserve against credits in its insured portfolio, regardless of whether losses actually occur, or against potential new business. Significant reductions in underlying ratings of credits in MBIA Corp. s insured portfolio can produce significant increases in assessed capital charges. There can be no assurance that MBIA Corp. s capital position will be adequate to meet such increased rating agency reserve requirements or that MBIA Corp. will be able to secure additional capital, especially at a time of actual or perceived deterioration in creditworthiness of new or existing credits. Unless

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MBIA Corp. was able to increase its amount of available capital, an increase in capital charges could reduce the amount of capital available to pay claims and support MBIA Corp. s triple-A ratings and could have an adverse effect on MBIA Corp. s ability to write new business.

In recent weeks and months Fitch, Moody s and S&P have announced the downgrade of, or other negative ratings actions with respect to, certain transactions that MBIA Corp. insures, as well as a large number of structured finance transactions that serve as collateral in structured finance transactions that MBIA Corp. insures. While less than 5% of MBIA Corp. s insured portfolio as of December 31, 2007, has been downgraded as of February 5, 2008, in connection with the rating agencies recent downgrades of structured finance transactions, there can be no assurance that additional securities in MBIA Corp. s insured portfolio will not be reviewed and downgraded in the future. Moreover, we do not know what portion of the securities in MBIA Corp. s insured portfolio already have been reviewed by the rating agencies and if, and when, the rating agencies might review additional securities in MBIA Corp. s insured portfolio or review again securities that have already been reviewed and/or downgraded. Downgrades of credits that MBIA Corp. insures will result in higher capital charges to MBIA Corp. under the relevant rating agency model or models. It is not known at the date of this prospectus supplement how much additional capital, if any, will be required as a result of the S&P rating actions announced on January 30, 2008, regarding RMBS and CDO tranches or the Fitch rating actions announced on February 1, 2008, regarding RMBS tranches as described under Summary Recent Developments Rating Agency Review. If the additional amount of capital required to support such exposures is significant, MBIA Corp. could look to raise additional capital, if available, on terms and conditions that may not be favorable to MBIA Corp., curtail current business writings, or pay to transfer a portion of its in-force business to generate capital for rating agency purposes to maintain its triple-A ratings. Such capital raising may not be possible. Accordingly, additional downgrades of MBIA insured credits could adversely affect the results of operations and financial condition of MBIA Corp. going forward.

A reduction in MBIA Corp. s financial strength ratings from any of the major rating agencies would materially and adversely affect our financial condition, results of operations and future business

MBIA Corp. s ability to attract new business and to compete with other triple-A rated financial guarantors is largely dependent on the triple-A financial strength ratings assigned to it by the major rating agencies and the financial enhancement rating assigned by S&P. MBIA Corp. intends to comply with the requirements imposed by the rating agencies to maintain such ratings; however, no assurance can be given that MBIA Corp. will successfully comply with these requirements, that these requirements will not change or that, even if MBIA Corp. complies with these requirements, one or more of such rating agencies will not lower or withdraw its financial strength ratings of MBIA Corp. or place MBIA Corp. on negative outlook or rating watch negative status indicating that a downgrade may be considered in the future. On January 17, 2008, Moody s placed the Aaa insurance financial strength ratings of MBIA Corp. and its insurance affiliates on watch list negative. On January 31, 2008, S&P placed the AAA insurance financial strength ratings of MBIA Corp. and its insurance affiliates on credit watch negative. On February 5, 2008, Fitch placed the AAA insurer financial strength ratings of MBIA Corp. and its insurance affiliates on rating watch negative. MBIA Corp. s ability to attract new business and to compete with other triple-A rated financial guarantors has been adversely affected by these rating agency actions. MBIA Corp. s ability to attract new business and to compete with other triple-A rated financial guarantors and its results of operations and financial condition would be materially adversely affected by any actual reduction, or additional suggested possibility of a reduction, in its ratings.

Requirements imposed by the rating agencies in order for MBIA Corp. to maintain its triple-A ratings are outside of its control, and such requirements may oblige us to raise additional capital or take other remedial actions in a relatively short timeframe in order to maintain MBIA Corp. s triple-A ratings. We are implementing a capital plan in order to raise what we believe will be sufficient funds to meet or exceed the rating agency capital requirements. However, Moody s and S&P have recently announced certain changes in their assumptions that could increase the amount that we estimate will be required, or that they have previously announced is required, to support MBIA Corp. s ratings, and as of the date of this prospectus supplement, we do not know how much additional capital, if any, we will be required to raise in respect of such changes. The capital plan primarily consists of this offering and the related backstop by Warburg Pincus, the initial $500 million Warburg Pincus investment, the Surplus Notes offering and capital formation and risk reduction through operations, a dividend reduction and the use of reinsurance. However, there can be no assurance that we will successfully complete these transactions. In addition, the rating agencies have recently announced potential sector-wide actions and a greater emphasis on non-quantitative factors in their analysis, so there can be no assurance that Fitch, Moody s and S&P will change MBIA Corp. s outlook to stable even if we successfully implement our capital plan. While the Surplus Notes offering and a portion of the Warburg Pincus investment have closed, this offering and the related backstop are subject to conditions and delays, during which new economic developments could adversely affect rating agency capital requirements or our ability to successfully implement the capital plan. If we are unable to successfully implement the remaining portions of the capital plan, MBIA Corp. s financial strength ratings may be downgraded, which would materially adversely affect our financial condition, results of operations and future business.

Changes in the rating agencies capital models and rating methodology with respect to financial guarantee insurers may materially adversely affect our business, results of operations and financial condition

Changes in the rating agencies capital models and rating methodology with respect to financial guarantee insurers and the risks in MBIA Corp. s investment portfolio and insured portfolio could require MBIA Corp. to hold more capital against specified credit risks in the insured portfolio. For example, the rating agencies have recently made changes to their capital models and rating methodology in response to the deterioration in the performance of certain securities. These requirements have placed stress on our ratings and require us to raise additional capital to maintain MBIA Corp. s triple-A ratings. Since the original announcement of our capital plan described under Summary Recent Developments MBIA Capital Plan, Fitch, Moody s and S&P have announced additional changes in certain of their assumptions relating to our capital requirements that could increase the amount that we estimate will be required, or that they have previously announced is required, to support our ratings, which could further increase our need to raise capital. There can be no assurance that capital will be available to us on favorable terms and conditions or at all, and the failure to raise such capital could have a material adverse impact on our business, results of operations and financial condition.

Loss reserve estimates are subject to uncertainties and loss reserves may not be adequate to cover potential claims

The financial guarantees issued by MBIA Corp. insure the financial performance of the obligations guaranteed over an extended period of time, in some cases over 30 years, under policies that MBIA Corp. has, in most circumstances, no right to cancel. As a result of the lack of statistical paid loss data due to the low level of paid claims in MBIA Corp. s financial guarantee business and in the financial guarantee industry in general, particularly, until recently, in the structured asset-backed area, MBIA Corp. does not use traditional actuarial approaches to determine its loss reserves. The establishment of the appropriate level of loss reserves is an inherently uncertain process involving numerous estimates and subjective judgments by management, and therefore, there can be no assurance that actual paid claims in MBIA Corp. s insured portfolio will not exceed its loss reserves. Small changes in the assumptions underlying these estimates could significantly impact loss expectations. Additionally, MBIA Corp. uses both internal models as well as models generated by third party consultants and customized by MBIA Corp. to project future paid claims on MBIA Corp. s insured portfolio and establish loss reserves. There can be no assurance that the future loss projections based on these models are accurate.

We recorded case basis loss activity of $613.5 million and a special increase to our unallocated loss reserve of $200 million in the fourth quarter of 2007 related to such exposures. The case basis activity and special increase to our unallocated loss reserve were in addition to MBIA Corp. s regular quarterly addition of 12% of scheduled earned premiums, or approximately $23 million in the fourth quarter of 2007. Additionally, further

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deterioration in the performance of RMBS, CDOs of ABS or other obligations MBIA Corp. insures or reinsures could lead to the establishment of additional loss reserves and further losses or reductions in income. There can be no assurance that the estimates of probable and estimable losses are accurate. Actual paid claims could exceed our estimate and could significantly exceed our loss reserves. If our loss reserves are not adequate to cover actual paid claims, MBIA Corp. s results of operations and financial condition could be materially adversely affected.

Credit risk modeling contains uncertainty over ultimate outcomes which makes it difficult to estimate potential paid claims and loss reserves and mark-to-market

The securities MBIA Corp. insures include highly complex structured transactions, the performance of which depends on a wide variety of factors outside of our control, and in such transactions we must rely on financial models, generated internally and supplemented by models generated by third parties, to estimate future credit performance of the underlying assets, and to evaluate structures, rights and our potential obligations over time. These estimates can vary materially based on relatively small changes in assumptions and the use of different modeling techniques. Also, for example, the modeling of multi-sector CDOs requires analysis of both direct ABS as well as CDO collateral within the multi-sector CDOs, known as inner securitizations, and we do not consistently have access to all the detailed information necessary to project every component of each inner securitization. Such inner securitizations may themselves include CDO collateral. Therefore, in some cases we put greater reliance on the models and analysis of third party market participants and are not able to fully, independently and precisely verify each data point. Moreover, the performance of the securities that MBIA Corp. insures and the underlying mark-to-market of our obligations depends on a wide variety of factors which are outside our control, including the liquidity and performance of the collateral underlying such securities, the correlation of assets within collateral pools, the performance or non-performance of other transaction participants (including third-party servicers) and the exercise of control or other rights held by other transaction participants.

We continually monitor portfolio and transaction data and adjust these credit risk models to reflect changes in expected and stressed outcomes over time. We use internal models for ongoing portfolio monitoring and to estimate case basis loss reserves and, where applicable, to mark our obligations under our contracts to market and may supplement such models with third party models or use third party experts to consult with our internal modeling specialists. When using third party models, we perform the same review and analysis of the collateral, deal structure, performance triggers and cash flow waterfalls as when using our internal models. However, both internal and external models are subject to model risk and there can be no assurance that these models are accurate or comprehensive in estimating our potential future paid claims and related loss reserves or that they are similar to methodologies employed by our competitors, counterparties or other market participants.

In addition, changes to our paid claims, loss reserve or mark-to-market models may be warranted in the future. These changes could materially impact our financial results.

We are required to report credit derivatives at fair value, which subjects our results of operations to volatility and losses

Any event causing credit spreads on an underlying security referenced in a credit derivative insured by MBIA Corp. to either widen or tighten will affect the fair value of the credit derivative and may increase the volatility of our earnings. We apply fair value accounting for the portion of our business executed in credit derivative form as required by SFAS 133 and changes in fair value are recognized immediately in earnings. Therefore, any increases or decreases in the fair value of these credit derivatives have an immediate corresponding impact on reported earnings. As changes in fair value can be caused by factors unrelated to the performance of MBIA Corp. s business and credit portfolio, including general market conditions and perceptions of credit risk, as well as market use of credit derivatives for hedging purposes unrelated to the specific referenced credits in addition to events that affect particular credit derivative exposure, the application of fair value accounting may cause our earnings to be more volatile than would be suggested by the actual performance of MBIA Corp. s business operations and credit portfolio. In addition, due to the complexity of fair value accounting and the application of SFAS 133, future amendments or interpretations of derivative and fair value accounting may cause us to modify our accounting methodology in a manner which may have an adverse impact on our financial results.

Current accounting standards mandate that we measure the fair value of our insurance policies of credit default swaps. At the present time, we do not have access to the fair value estimates of the insurance beneficiaries and there can be no assurance that those counterparties (or any other market participant s) estimates would be the same as our fair values.

In the fourth quarter of 2007, we observed a further widening of market spreads and credit ratings downgrades of collateral underlying certain MBIA Corp.-insured CDO tranches. The mark-to-market from September 30, 2007 to December 31, 2007 was $3.4 billion, or approximately $2.2 billion on an after-tax basis. This increase in our mark-to-market loss in the fourth quarter of 2007 compared to the pre-tax $342 million mark-to-market loss for the third quarter was a consequence of continued spread volatility, including a substantial widening in CMBS spreads and the deterioration of credit ratings in collateral underlying multi-sector CDOs. The mark-to-market amount disclosed above reflects a refinement to MBIA Corp. s valuation modeling techniques that was implemented in the fourth quarter. Specifically, in light of extraordinary widening of the market spreads for the asset-backed security portion of the collateral underlying certain insured CDOs in the investment grade corporate CDO portfolio, for purposes of its valuation model, MBIA Corp. revised its approach and treated that ABS collateral as if it were in default. MBIA Corp. performs an internal analysis of the mark-to-market change each month. The mark-to-market position as of January 31, 2008, is not expected to be available until at least mid-February 2008. However, in January 2008 we observed further widening of credit market spreads and, on January 30, 2008, S&P announced rating action on 6,389 U.S. subprime RMBS ratings and 1,953 CDO ratings and on February 1, 2008, Fitch announced a rating action on 2,972 RMBS ratings. It is expected that these developments will result in additional material mark-to-market losses for January 2008.

Competition may have an adverse effect on MBIA Corp. s business

The businesses engaged in by MBIA Corp. are highly competitive. MBIA Corp. faces competition from other financial guarantee insurance companies, other providers of third-party credit enhancement, such as multi-line insurance companies, credit derivative and swap providers and banks, and alternative financing structures that do not employ third-party credit enhancement, and recently a new financial guarantee insurer has been licensed to operate in New York and is in the process of seeking licensing in other jurisdictions. Increased competition, either in terms of price, alternative structures, or the emergence of new providers of credit enhancement, could have an adverse effect on MBIA Corp. s business. In addition, MBIA Corp. s competitive position may suffer due to having been being placed on review for a possible downgrade by Fitch, Moody s and S&P.

Market and other factors may cause investors and/or issuers to decrease demand for MBIA Corp. s products

The demand for financial guarantee insurance depends upon many factors, some of which are beyond the control of MBIA Corp. The major rating agencies have recently changed the ratings outlook for certain financial guarantee insurers to negative, placed certain financial guarantee insurers on review for a possible downgrade, downgraded certain financial guarantee insurers and affirmed a stable outlook for other major financial guarantee insurers. Investors from time to time distinguish among financial guarantors on the basis of various factors, including rating agency assessment, size, insured portfolio concentration and financial performance. These distinctions may result in differentials in trading levels for securities insured by particular financial guarantors which, in turn, may provide a competitive advantage to those financial guarantors with better trading characteristics. In addition, various investors may, due to regulatory or internal guidelines, lack additional capacity to purchase securities insured by certain financial guarantors, which may provide a competitive advantage to guarantors with fewer insured obligations outstanding. Differentials in trading values or investor capacity constraints that do not favor MBIA Corp. would have an adverse effect on MBIA Corp. s ability to attract new business at appropriate pricing levels, and in recent months MBIA Corp. has experienced a decline in new business which may be attributable to recent rating agency actions and their impact on investor perception.

Additionally, in the face of the disruption in the credit markets and the recent announcements by Fitch, Moody s and S&P concerning financial guarantee insurers generally and MBIA Corp. in particular, the price of our common stock has experienced a significant decline and there has been a widening of spreads on our credit default swaps. This recent widening of spreads on our credit default swaps could impact the perception of our financial condition by MBIA Corp. s insured bondholders and counterparties and could affect their willingness to purchase MBIA Corp. s insured bonds and to continue to enter into transactions with MBIA Corp.

Changes in interest rates could adversely affect our financial condition and future business

Increases in prevailing interest rate levels can adversely affect the value of MBIA s investment portfolio and, therefore, our financial condition. In the event that investments must be sold in order to make payments on insured exposures, such investments would likely be sold at discounted prices. Additionally, increasing interest rates could lead to increased credit stress on transactions in MBIA Corp. s insured portfolio.

Prevailing interest rate levels can affect demand for financial guarantee insurance. Lower interest rates are typically accompanied by narrower spreads between insured and uninsured obligations. The purchase of insurance during periods of relatively narrower interest rate spreads will generally provide lower cost savings to the issuer than during periods of relatively wider spreads. These lower cost savings could be accompanied by a corresponding decrease in demand for financial guarantee insurance. Increased interest rates may decrease attractiveness for issuers to enter into capital markets transactions, resulting in a corresponding decreasing demand for financial guarantee insurance.

Demand for financial guarantee insurance will decline if investors confidence in financial guarantors financial strength declines

The perceived financial strength of financial guarantee insurers also affects demand for financial guarantee insurance. Recently, several major financial guarantee insurers have had their insurer financial strength ratings downgraded and others, including MBIA Corp., have had their insurer financial strength ratings placed on review for a possible downgrade and/or have had their outlooks changed to negative, which may be contributing to a recent decline in the demand for financial guarantee insurance generally. Should a major financial guarantee insurer have its insurer financial strength rating downgraded, or should the reliability of one or more of the rating agency capital models be questioned or should the financial guarantee industry suffer for some other reason deterioration in investors confidence, demand for financial guarantee insurance would be reduced significantly.

Regulatory change could adversely affect MBIA Corp. s business

The financial guarantee insurance industry has historically been and will continue to be subject to the direct and indirect effects of governmental regulation, including insurance laws, securities laws, tax laws and legal precedents affecting asset-backed and municipal obligations, as well as changes in those laws. Failure to comply with applicable laws and regulations could expose MBIA Corp. to fines, the loss of its insurance licenses, and the inability to engage in certain business activity. In addition, future legislative, regulatory or judicial changes could adversely affect MBIA Corp. s ability to pursue its business, materially impacting our financial results. The Department has indicated that they are undertaking a review of the laws and regulations that are applicable to MBIA Corp. and to other monoline financial guarantee insurance companies. As a result of any changes to such laws and regulations or the Department s interpretation thereof, MBIA could become subject to further restrictions on the type of business that it is authorized to insure, especially in the structured finance area. Any such restrictions could have a material effect on the amount of premiums that MBIA earns in the future. Additionally, any changes to such laws and regulations could subject MBIA Corp. to increased reserving and

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capital requirements or more stringent regulation generally, which could materially adversely affect our financial condition, results of operations and future business.

Revenues would be adversely impacted due to a decline in realization of installment premiums

Due to the installment nature of a significant percentage of its premium income, MBIA Corp. has an embedded future revenue stream. The amount of installment premiums actually realized by MBIA Corp. could be reduced in the future due to factors such as early termination of insurance contracts or accelerated prepayments of underlying obligations. Such a reduction would result in lower revenues.

Potential impact of general economic and geopolitical conditions may adversely affect MBIA Corp. s business prospects and insured portfolio

Changes in general economic conditions can adversely impact the Company s business. Recessions, increases in corporate, municipal or consumer default rates, changes in interest rates, changes in law or regulation and other general economic and geopolitical conditions could adversely impact the Company s prospects for future business, as well as the performance of MBIA Corp. s insured portfolio and the Company s investment portfolio. For example, the recent deterioration of certain sectors of the credit markets has caused a significant decline in the number of structured finance securities that have been issued in recent months. There can be no assurance that the market for structured securities will recover, and if the market fails to recover there would be a decrease in the demand for financial guarantee insurance for these securities, which may adversely affect MBIA Corp. s business prospects.

General global unrest could disrupt the economy in this country and around the world and could have a direct material adverse impact on certain industries and on general economic activity. The Company has exposure in certain sectors that could suffer increased delinquencies and defaults as a direct result of these types of events. The Company s exposure to domestic and international airports and to domestic enhanced equipment trust certificate aircraft securitizations have experienced increased stress as a result of global events since 2001, including a downgrading of the ratings and the bankruptcy of some of the underlying issuers, and could experience further stress in the event of general global unrest in the future. Other exposures that depend on revenues from business and personal travel, such as bonds backed by hotel taxes and car rental fleet securitizations, have experienced or may experience increased levels of delinquencies and default. In addition, certain other sectors in which the Company has insured exposure, such as consumer loan securitizations (e.g., home equity, auto loan and credit card transactions), have experienced increased delinquencies and defaults in the underlying pools of loans and could experience further defaults in the event of future global unrest. To the extent that certain corporate sectors may be vulnerable to credit deterioration and increased defaults in the event of future global unrest, CDOs backed by pools of corporate debt issuances in those stressed sectors could also be adversely impacted.

The Company s insurance operations underwrite exposures to the Company s reasonable expectation of future performance as well as at various stress levels estimating defaults and other conditions at levels higher than are reasonably expected to occur. There can be no assurance, however, that the Company will not incur material losses if the economic stress and increased defaults in certain sectors caused by change in economic conditions, default rates, global unrest, terrorism, catastrophic events, natural disasters or similar events in the future is or will be more severe than the Company currently foresees and had assumed in underwriting its exposures.

An inability to access capital could adversely impact MBIA Corp. s ability to write new business and adversely affect our business, operating results and financial condition and ultimately adversely affect liquidity

The Company s access to external sources of financing, as well as the cost of such financing, is dependent on various factors, including the long term debt ratings of the Company and the insurance financial strength ratings and long term business prospects of MBIA Corp. and the perceptions of the financial strength of MBIA Corp. and MBIA Inc. Our debt ratings are influenced by numerous factors, either in absolute terms or relative to our peer group, such as financial leverage, balance sheet strength, capital structure and earnings trends. If we cannot obtain adequate capital on favorable terms or at all, our business, future growth, operating results and financial condition could be adversely affected.

MBIA Corp. has entered into credit facilities with third-party providers in order to supplement its capital position. When evaluating the Company s overall capital position, the rating agencies evaluate the financial strength of these providers, as well as their perceived willingness to fund these facilities if drawn. In the event that the ratings of these capital providers are reduced or withdrawn, the amount of capital credit the Company receives for these facilities would decline. There can be no assurance that the ratings of such providers will not decline in the future, that replacement providers will be available or, in the absence of a rating decline, that the rating agencies would not decrease the amount of capital credit they assign to the Company for such soft capital facilities. The inability to obtain adequate replacement capital on favorable terms or at all could have an adverse impact on the Company s business and financial condition.

Because we are a holding company, our sources of liquidity primarily consist of dividend payments from MBIA Corp. and MBIA Asset Management, investment income and the issuance of debt. To the extent that the amount of capital credit we receive for credit facilities declines or we are otherwise unable to access capital, MBIA Corp. will have less capacity to write business and may not be able to pay dividends to us without experiencing adverse rating agency action. Accordingly, our inability to maintain access to capital on favorable terms could have an adverse impact on our ability to pay dividends on our capital stock, to pay principal and interest on our indebtedness, to pay our operating expenses and to make capital investments in our subsidiaries. See Our holding company structure and certain regulatory and other constraints could affect our ability to pay dividends and make other payments.

A reduction in the financial strength ratings of or a default by one or more of MBIA Corp. s key reinsurers could adversely impact our capital position, financial strength rating and ability to write new business

MBIA Corp. uses reinsurance to cede exposure for purposes of syndicating risk and increasing its capacity to write new business while complying with its single risk and credit guidelines. When a reinsurer is downgraded by one or more of the rating agencies, less capital credit is given to MBIA Corp. under rating agency models. Over the past several years, most of MBIA Corp. s reinsurers have been downgraded and others remain under review. The downgrade of one of MBIA Corp. s key reinsurers could adversely impact MBIA Corp. s capital position under rating agency models, and affect MBIA Corp. s financial strength rating and ability to write new business accordingly. MBIA s largest reinsurer, Channel Re, and second largest reinsurer, RAM Reinsurance Company Ltd. (RAM), have been placed under review for downgrade by Moody s. However, Channel Re has deposited assets in two trusts and RAM has deposited assets in one trust for the benefit of MBIA Corp. in support of their respective reinsurance obligations. The combined value of the assets in the Channel Re trusts was approximately $495 million and the value of the assets in the RAM trust was approximately $100 million, in each case at December 31, 2007. Although such trusts limit the potential for such reinsurers to default on their respective obligations and may partially offset the effect of a downgrade on MBIA s capital position there can be no assurance that a downgrade of Channel Re or RAM would not materially reduce MBIA Corp. s capital position under rating agency models or that there will not be a default on their respective obligations to MBIA Corp. Also, if Channel Re or RAM were downgraded, MBIA Corp. could need to establish an accounting reserve for receivables from them. Currently, $43 billion of par is reinsured with Channel Re and $11 billion is reinsured with RAM. As with all reinsurers, MBIA Corp. continually assesses Channel Re s and RAM s ability to settle all amounts due to MBIA Corp. under reinsurance or other agreements, including settling ceded derivative contracts at their fair value.

MBIA Corp. generally retains the right to recapture the business ceded to reinsurers under certain circumstances, including rating downgrades of its reinsurers. Additionally, reinsurers and counterparties under other reimbursement agreements may default on their obligations to us due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons. Such defaults could have a material adverse effect on our business or profitability or require us to raise additional capital. MBIA Corp. remains liable on a primary basis for all reinsured risk, and although MBIA Corp. believes that its reinsurers remain capable of meeting their obligations, there can be no assurance of such in the future.

In addition to reliance on key financial guarantee reinsurers, MBIA has certain other exposures to financial guarantee insurance companies. Portions of MBIA Corp. s investment portfolio, as well as the investments held in relation to our asset management businesses, are insured by other monoline financial guarantee insurance companies. Further, we own a small amount of direct investments in debt and other securities of the holding companies of other monoline financial guarantee insurance companies. A downgrade of one or more of those companies could impact the market value of investments and increase the amount of capital required to maintain MBIA Corp. s triple-A ratings.

A small portion of MBIA Corp. s insured portfolio consists of guarantees of bonds previously insured by other monoline insurance companies. A downgrade of one or more of those companies could result in an increase to the amount of capital required to maintain MBIA Corp. s triple-A ratings.

Our holding company structure and certain regulatory and other constraints could affect our ability to pay dividends and make other payments

We are a holding company and have no substantial operations of our own or assets other than our ownership of MBIA Corp., our principal operating subsidiary, MBIA Asset Management, and certain other smaller subsidiaries. As such, we are largely dependent on dividends or advances in the form of intercompany loans from MBIA Corp. to pay dividends on our capital stock, to pay principal and interest on our indebtedness, to pay our operating expenses and to make capital investments in our subsidiaries. Our insurance company subsidiaries are subject to various statutory and regulatory restrictions, applicable to insurance companies generally, that limit the amount of cash dividends, loans and advances that those subsidiaries may pay to us. Regulations relating to capital requirements affecting some of our other subsidiaries may also restrict their ability to pay dividends and other distributions and make loans to us.

Under New York law, MBIA Corp. may pay stockholder dividends only out of statutory earned surplus. In addition, New York law limits the payment of dividends during any twelve month period without the prior approval of the Superintendent to the lesser of (i) 10% of policyholder surplus and (ii) 100% of adjusted net investment income, as described in Item 1. Business Insurance Regulation and Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note 16: Insurance Dividends and Capital Requirements of our Annual Report on Form 10-K for the fiscal year ended December 31, 2006. In April 2007, MBIA Corp. paid a special dividend of $500 million to MBIA Inc. with the prior approval of the Superintendent. As of December 31, 2007, including the effect of the April 2007 $500 million dividend, MBIA Corp. will not be able to pay dividends without prior approval by the Superintendent until April 2008. In addition, in connection with the discussions with the Department described under Summary Recent Developments Contact with the Department and the SEC, MBIA Corp. committed to provide the Department with advance notice of, and to discuss with the Department, certain matters, including the payment of dividends, including ordinary dividends.

Additionally, under New York law, the Superintendent may apply for an order directing him to rehabilitate or liquidate a domestic insurance company under certain circumstances, including upon the insolvency of the company, if the company has willfully violated its charter or New York law or if the company is found, after examination, to be in such condition that further transaction of business would be hazardous to its policyholders, creditors or the public. The Superintendent may also suspend an insurer s license, restrict its license authority, or limit the amount of premiums written in New York if, after a hearing, he determines that the insurer s surplus to policyholders is not adequate in relation to its outstanding liabilities or financial needs. If the Superintendent were to take any such action with respect to MBIA Corp., it would likely result in the reduction or elimination of the payment of dividends to us.

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The inability of MBIA Corp. to pay dividends in an amount sufficient to enable us to meet our cash requirements at the holding company level could affect our ability to repay our debt and to continue to pay a dividend on our common stock and have a material adverse effect on our operations.

Regulatory regimes and changes to accounting rules may adversely impact financial results irrespective of business operations

Accounting standards and regulatory changes may require modifications to our accounting methodology, both prospectively and for prior periods and such changes could have an adverse impact on our financial results. The SEC and the Financial Accounting Standards Board, or FASB, are considering the accounting methodology to be applied by financial guarantee industry participants for claims liability recognition, premium recognition and amortization of deferred policy acquisition costs. When the FASB or the SEC reaches a conclusion on this project, MBIA Corp. and other financial guarantors may be required to change some aspects of their respective loss reserving policies and the potential changes could extend to premium and expense recognition. We cannot currently assess how the FASB and SEC staff s ultimate resolution of this project will impact our loss reserving policy or the effect it might have on recognizing premium revenue and policy acquisition costs. Until final guidance is issued, we intend to apply our existing methodology. There can be no certainty, however, that the SEC or the FASB will not require us to modify our current methodology, either on a going-forward basis or for prior periods. Any required modification of our existing methodology, either with respect to these issues or other issues in the future, could have an impact on our results of operations, including increased volatility of our earnings.

Our risk management policies and procedures may not prevent future losses

We assess our risk management policies and procedures on a periodic basis. As a result of such assessment, we may take steps to change our internal risk assessment capabilities and procedures, our portfolio management policies, systems and processes and our policies and procedures for monitoring and assessing the performance of our insured portfolio in changing market conditions. There can be no assurance, however, that these steps will be adequate to avoid future losses.

Regulatory proceedings or private litigation claims could materially adversely affect our business, results of operations and financial condition

We have recently had discussions with and have provided information on a voluntary basis to the Department and the SEC in response to inquiries with respect to certain matters, including the Warburg Pincus transaction, our announcement of preliminary loss reserve estimates related to our RMBS exposure and disclosures relating to our CDO exposure.

On January 22, 2008, we received a Subpoena from the Securities Division dated January 18, 2008. The Subpoena seeks information regarding the Massachusetts Public Issuer Bonds insured by MBIA Corp. from January 1, 2006 to the present, and requires production of related offering materials and written disclosures pertaining to MBIA and provided by MBIA to the underwriters or issuers of such Massachusetts Public Issuer Bonds.

We may continue to receive additional subpoenas and other information requests from the Department, the SEC or other regulatory agencies regarding similar issues. Although no regulatory action has been initiated against us in connection with the matters described above, it is possible that one or more regulatory agencies may pursue action against us with respect to these or other similar matters. If such an action is brought, it could materially adversely affect our business, results of operations and financial condition.

Recently, several plaintiff lawyers have announced plans to file shareholder lawsuits against MBIA in connection with the decline in our stock price, and one such lawsuit has been filed and served on MBIA. On January 11, 2008, a putative shareholder class action lawsuit against MBIA and certain of its officers, Schmalz v.

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MBIA, Inc. et al., No. 08-CV-264, was filed in the United States District Court for the Southern District of New York, alleging violations of the federal securities laws. Plaintiff seeks to represent a class of shareholders who purchased MBIA stock between January 30, 2007 and January 9, 2008. The complaint alleges that defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. Among other things, the complaint alleges that defendants issued false and misleading statements with respect to MBIA s exposure to losses stemming from MBIA s insurance of CDOs and RMBS, including its exposure to so-called CDO-squared securities, which caused MBIA s stock to trade at inflated prices. Although we intend to vigorously defend against this and other potential actions, we cannot provide assurance that the ultimate outcome of these actions will not materially adversely affect our business, results of operations and financial condition.

Adverse results from investment management services activities can adversely affect our financial position

Our Investment Management Services businesses have grown as a proportion of our overall business. Events that negatively affect the performance of the Investment Management Services businesses could have a negative effect on the overall performance of the Company, separate and distinct from the performance of the Company s financial guarantee business.

Our Investment Management Services businesses manage several asset-liability programs which enable us to earn a spread between the income earned on a portfolio of assets and the interest costs associated with the liabilities incurred to fund the purchase of such assets. These asset-liability programs are managed within a number of risk and liquidity parameters, but there can be no assurance that such parameters are adequate to prevent a decline in