



National Public Finance Guarantee Corporation Files Lawsuit to Ensure Viability of Puerto Rico Electric Power Authority

Lawsuit Seeks to Compel Financial Oversight and Management Board for Puerto Rico to Comply with PROMESA Law to Approve Restructuring Support Agreement

PURCHASE, N.Y. -- (BUSINESS WIRE) -- National Public Finance Guarantee Corporation (National), an indirect subsidiary of MBIA Inc. (NYSE:MBI), today announced that National has filed a complaint against the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board") in the U.S. District Court for the District of Puerto Rico. The lawsuit seeks declaratory, injunctive and mandamus relief requiring the Oversight Board to comply with its obligations under the Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA"), to certify the modifications to the Restructuring Support Agreement ("RSA") and to allow a final vote of the Puerto Rico Electric Power Authority's ("PREPA") bondholders.

Implementation of the RSA is vital to Puerto Rico's long-term financial health and stability, providing PREPA much-needed debt relief and near-term liquidity, restoring its access to the capital markets and attracting private investment necessary to modernize the utility and ensure compliance with the EPA. The current RSA was carefully negotiated over three years and approved by multiple parties, including two governors, the Puerto Rico legislature, the Puerto Rico Fiscal Agency & Financial Advisory Authority, the Puerto Rico Energy Commission and the PREPA board. In passing PROMESA on June 30, 2016, Congress singled out the RSA for expedited approval, eliminating the need for substantive review and providing that the Oversight Board only need to certify that the proposed debt modification is consistent with the preexisting RSA. To date, the Oversight Board has arbitrarily failed its legal obligation to approve the RSA.

"After three years of good-faith negotiating and broad consensus among PREPA and its creditors, we are disappointed to see the Oversight Board refuse to comply with the law and instead attempt a last-minute renegotiation before the RSA expires," said Bill Fallon, CEO of National Public Finance Guarantee Corporation. "The Oversight Board's delay in moving forward a deal already approved by two governors, the Puerto Rico legislature, the Puerto Rico Fiscal Agency & Financial Advisory Authority, the Puerto Rico Energy Commission and the

PREPA board, could have damaging repercussions for PREPA, Puerto Rico consumers and Puerto Rico's economy as a whole. Turning off the lights is not an option, but the Oversight Board's lack of action poses a serious and unnecessary risk of disrupting the provision of electricity on the island."

In its complaint, National alleges:

- PROMESA leaves no room for the Oversight Board to second-guess a consensual agreement ratified by Congress and all interested parties.
- As of the date of the Complaint, the Oversight Board has been sitting on PREPA's RSA certification request for more than 59 days.
- Absent the requested relief, National will suffer immediate and irreparable harm, depriving it of its bargained-for contractual rights and requiring National to pay claims when PREPA defaults.

PREPA, the sole provider of electricity to 1.5 million Puerto Ricans, faces a challenging financial and operational situation — a product of years of mismanagement. On August 14, 2014, PREPA entered into a forbearance agreement with certain of its creditors as a liquidity crunch left it unable to repay fuel credit lines and major vendors curbed shipments of fuel on standard trade credit terms. Since then, creditors have granted PREPA multiple extensions to provide additional flexibility as PREPA agreed to meet certain milestones to improve its management and finances. On December 23, 2015, PREPA and creditors, which currently represent 70% of PREPA's debt, entered into the RSA, which was subsequently amended and restated on March 14, 2016. When Congress passed PROMESA on June 30, 2016, the RSA was the only preexisting consensual agreement between a Puerto Rico government debtor and its creditors, and Congress earmarked it for fast-track approval.

Forward-Looking Statements

This release includes statements that are not historical or current facts and are "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words "believe," "anticipate," "project," "plan," "expect," "estimate," "intend," "will likely result," "looking forward" or "will continue," and similar 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, including, among other factors, the possibility that MBIA Inc. or National will experience increased credit losses or impairments on public finance obligations issued by state, local and territorial governments and finance authorities that are experiencing unprecedented fiscal stress; the possibility that loss reserve estimates are not adequate to cover potential claims; MBIA Inc.'s or National's ability to fully implement their strategic plan; and changes in general economic and competitive conditions. These and other factors that could affect financial performance or could cause actual results to differ materially from estimates contained in or underlying MBIA Inc.'s or National's forward-looking statements are discussed under the "Risk Factors" section in MBIA Inc.'s most recent Annual Report on Form 10-K, which may be updated or amended in MBIA Inc.'s subsequent filings with the Securities and Exchange Commission. MBIA Inc. and National caution readers not to place undue reliance on any such forward-looking statements, which speak only to their respective dates. National and MBIA Inc. undertake no obligation to publicly correct or update any forward-looking statement if it later becomes aware that such result is not likely to be achieved.

National Public Finance Guarantee Corporation, headquartered in Purchase, New York is the world's largest U.S. public finance-only financial guarantee insurance company, with offices in New York and San Francisco. Please visit National's website at www.nationalpfg.com.

Contacts

National Public Finance Guarantee Corporation

Media:

Greg Diamond, 914-765-3190

or

Fixed-Income Investor Relations:

Kevin Brown, 914-765-3385

or

MBIA Inc.

Investor and Media Relations:

Greg Diamond, 914-765-3190