

NATIONAL PUBLIC FINANCE GUARANTEE CORPORATION

BOARD OF DIRECTORS

CORPORATE GOVERNANCE PRACTICES

The following are the National Public Finance Guarantee Corporation (“National” or the “Corporation”) corporate and governance practices for its Board of Directors. Such practices are subject to the By-laws of National, as shall be amended from time to time.

A. THE ROLE OF THE BOARD OF DIRECTORS

1. Direct the Affairs of the Corporation for the Benefit of Shareholders

The primary responsibility of a director is to oversee the affairs of the Corporation in the best interests of the shareholders, while day-to-day operation of the Corporation is the responsibility of management. The directors and management have a primary responsibility to the shareholders of the Corporation in carrying out their duties, but each also must consider the fiduciary responsibility of the Corporation to the beneficiaries of the insurance policies issued by National. Additionally, the directors should be sensitive to the needs of stakeholders such as employees, customers, creditors, suppliers and the community in evaluating the affairs of the Corporation.

2. Advise and Participate in Long-Range Strategy Development

Board members provide advice to management on matters relating to the Corporation's business at Board meetings and in other less formal settings, such as telephone calls and small meetings.

Long-range strategic issues, including the material risks associated with strategic initiatives, should be discussed as a matter of course at regular Board meetings.

3. Review and Approve Financial Goals/Performance

The Board reviews and approves the operating and strategic plan and its specific goals. The plan will contain quarterly financial performance that will be reviewed several times per year versus results. The plan will discuss material risks consistent with the Board approved risk limits and guidelines.

4. Ethical Business Environment/Compliance with Legal and Regulatory Mandates

The long-term success of the Corporation is dependent upon the maintenance of an ethical business environment that focuses on adherence to both the letter and the spirit of regulatory and legal mandates. The Audit Committee receives reports from internal and external auditors and compliance officers on these matters, as well as other reports from management, as appropriate. The Board receives reports from the Audit Committee and from management periodically. The Board expects that Board and committee agendas and materials and other information will flow to the Board and will be established with legal/regulatory requirements in mind.

5. CEO Performance Evaluation

CEO performance should be evaluated annually. The evaluation process is led by the Chairman of the Board who solicits information from all directors.

The evaluation of the CEO should be a comprehensive process, based on both qualitative and quantitative factors, including actual performance of the business, accomplishment of long-term business and financial goals, positioning of the Corporation for the future, promoting the highest level of governance, risk management and business practices (including compliance with all laws and regulations), development of management, stewardship of the enterprise and effective Board communication and interaction.

6. Succession Planning of Key Executive Officers

The Board has responsibility to decide on management succession issues. The Chairman annually reviews the performance of the senior team and makes recommendations to the full Board. The CEO reviews with the Chairman every year, the abilities of key senior managers, the CEO's views on management succession (excluding CEO succession) and the CEO's views on the program for management development. The Chairman then reports to the Board. Appointments to the CEO's senior management team are reviewed by the Chairman of the Board.

B. MEETINGS OF THE BOARD OF DIRECTORS

1. Chairman of the Board and CEO

The Chairman provides the CEO with input as to the preparation of the agendas for the Board of Directors' meetings and advises the CEO as to the Board's view of the quality, quantity, and timeliness of the information submitted by the Corporation's management that is necessary or appropriate for the directors to effectively and responsibly perform their duties.

2. Frequency of Meetings

The Board should meet at least quarterly, given the size and complexity of the business, regulatory mandates for director review of various matters, and the changing industry environment. The number of scheduled Board meetings should vary with circumstances and special meetings should be called as necessary. As a general matter a meeting schedule of four times per year, as determined by the Board and management, is appropriate. While the Board recognizes that directors discharge their duties in a variety of ways, including personal meetings and telephone contact with management and others regarding the business and affairs of the Corporation, it is the responsibility of individual directors to make themselves available to attend both scheduled and special Board and committee meetings on a consistent basis with the expectation that each director shall attend at least 75% of such meetings.

3. Executive Sessions

Directors may meet in executive session as necessary. Some of the executive sessions may be with the CEO, and some may be in the absence of the CEO and any other management officials.

All of the committees may meet in executive session, as circumstances warrant. At the committee's discretion, the CEO or other members of management may be requested to meet with the committee during these executive sessions. At least once a year, the Audit Committee meets in executive session with the outside auditors, without the presence of management.

4. Attendance of Non-Directors at Meetings

The CEO's senior team will be present and participate as required in all Board meetings. The CEO should have discretion to invite members of management to the meetings of the Board.

5. Agendas and Presentations

The agenda for each Board meeting should be established by the

Chairman of the Board and the agenda for each committee meeting should be established by the Chairman of each committee. The CEO and other senior managers should facilitate the setting of the agenda taking into account suggestions of Board members. Board members are encouraged to suggest the inclusion of particular items on such agendas, and the CEO, from time to time, should ask directors for their suggestions or opinions on possible agenda items. The CEO and senior managers should determine the form of each presentation to the Board and the person to make such presentation.

6. Information Flow

The Board should receive information that would facilitate understanding presentations, discussions and issues covered at each meeting, in writing and sufficiently in advance of the meeting to permit appropriate review.

7. Orientation of New Directors

A newly appointed director shall be provided with an orientation program designed to educate the new director about the Corporation, its policies and procedures and its business activities. As part of the orientation, the new director should meet with the CEO, the Chief Financial Officer, the Chief Risk Officer, the General Counsel and other selected senior managers of the Corporation.

8. Board Effectiveness Review

It is appropriate for the Board to review annually its own effectiveness, including its corporate governance policies and practices. The Board may designate a committee to assume this responsibility. All directors are free to suggest improvements to the Board's practices at any time and are encouraged to do so.

C. BOARD STRUCTURE

1. Independent Directors

The Board shall maintain a minimum of three (3) independent directors. Independent director means a director who:

- is not a member of management or an employee and has not been a member of management or an employee within the last 5 years;
- has no close family or similar relationship with a member of key management;
- is not a lawyer, advisor or consultant to the Corporation or its subsidiaries and does not have any personal service contracts with the Corporation or its subsidiaries;
- does not have any other relationship with the Corporation or its subsidiaries either personally or through his or her employer which, in the opinion of the Board, would adversely affect the director's ability to exercise his or her independent judgment as a director;
- is not currently or has not been for five years a former employee of the independent auditor;
- is not currently or has not been for five years an employee of any company whose compensation committee includes an officer of MBIA;
- is not an immediate family member of either of the two previous categories.

Because the Corporation is a major financial institution, outside directors or the companies they are affiliated with will sometimes have a business relationship with the Corporation or its subsidiaries. Directors and companies with which they are affiliated are not given special treatment in these relationships. The Board believes that the existence of a business relationship is not, in and of itself, sufficient to disqualify a director from being considered an independent director. The materiality of the relationships and the director's own ability to exercise independent judgment should be evaluated, and external criteria for independence, such as those promulgated by the Securities and Exchange Commission, should be considered.

2. Size of the Board

The size of the Board will be increased or decreased to reflect the workload of the Board and the availability of qualified directors but will stay within the range of seven members to ten members based upon statutory and regulatory requirements.

3. Director Appointments

Directors should be nominated for Board approval by the Chairman. The Board expects the Chairman to consider the views of the CEO in making appointments. However, it is the Chairman's responsibility to make director recommendations to the full Board for submission to the shareholders for approval at a meeting of the Board of Directors of National Public Finance Guarantee Holdings, Inc. Before appointment to the Board, a candidate should meet with the members of the Board, the CEO and the Corporation's outside advisors to obtain information about the Corporation. A candidate should also be provided with and review carefully all relevant public information about the Corporation.

Directors should be individuals with substantial accomplishments, who have been associated with institutions noted for excellence, and who have broad experience and the ability to exercise sound business judgment. In selecting independent directors, the Board generally seeks a combination of active or former senior business executives of major complex businesses (from different industry sectors), leading academics, and individuals with substantial records of business achievement or government service or other leadership roles in the not-for-profit sector including individuals with specific knowledge and experience relevant to the Corporation's business. Board selections should reflect sensitivity to diversity.

4. Director Evaluation

The Chairman will review each individual director with respect to a variety of factors, including his or her attendance, participation in the work of the Board and overall contribution to the Board. The Chairman will take appropriate action to effect changes in incumbent directors if, in the opinion of the Chairman after discussion with the CEO, any director is not contributing to the work of the Board.

5. Director Compensation

The level of independent director compensation should generally be competitive with that paid to directors of similar sized and situated corporations in the United States. The Chairman is responsible for making recommendations to the full Board with respect to director compensation. The full Board approves director compensation and benefits programs.

D. COMMITTEES OF THE BOARD

1. Number and Types of Committees

Committees should be created and disbanded depending on the particular needs of the Board, issues facing the Corporation, and regulatory/legal requirements. The current standing committees of the Board are the Credit Risk Committee, the Investment Committee and the Audit Committee. The CEO is responsible for making recommendations to the Board regarding the committee structure, but directors are free to make suggestions of committees at any time and are encouraged to do so. The Board also expects that the committee structure would be one of the matters considered by the Board from time to time as part of its review of overall Board effectiveness. The charters of the Audit, Investment and Credit Risk Committees are approved by the Board.

2. Assignment of Committee Members/Independent Directors on Certain Committees

The CEO should recommend committee appointments to the Chairman who will then submit recommendations for approval to the full Board.

3. Committee Meetings

In consultation with each committee Chairman, the CEO will recommend a yearly committee meeting schedule for all standing committees and agendas for each meeting. The schedule and meeting content are expected to assure that the committees meet regularly and as needed to accomplish their responsibilities.

4. Committee Reports

A report of each committee meeting will be presented to the full Board at the Board meeting subsequent to each committee meeting.

October 26, 2011