

Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See www.sec.gov/info/municipal/nrmsir.htm for list of current NRMSIRs and SIDs

IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT or issued under a single indenture:

Issuer's Name (please include name of state where Issuer is located):

THE CITY OF SAN DIEGO, CALIFORNIA (OBLIGOR, PURSUANT TO CERTIFICATES OF PARTICIPATION);

2003 Certificates of Participation (1993 Balboa Park/Mission Bay Park Refunding) Evidencing Undivided Proportionate Interest in Lease Payments to be Made by the City of San Diego Pursuant to a Lease with the San Diego Facilities and Equipment Leasing Corporation: CUSIP 797260

PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO (STATE: CALIFORNIA);

Lease Revenue Bonds, Series 2002B (Fire & Life Safety Facilities Project): CUSIP 797299

Subordinated Water Revenue Bonds Series 2002 (Payable Solely from Subordinated Installment Payments Secured by Net System Revenues of the Water Utility Fund): CUSIP 79730C

Taxable Lease Revenue Bonds, Series 1996A (San Diego Jack Murphy Stadium): CUSIP 797299

Sewer Revenue Bonds, Series 1993: CUSIP 79730A

Revenue Bonds (Reassessment District No. 1999-1) Series 1999-A Senior Lien Bonds and Series 1999-B Subordinate Lien Bonds: CUSIP 79729P

Lease Revenue Refunding Bonds, Series 2007 (Ballpark Refunding)

CONVENTION CENTER EXPANSION FINANCING AUTHORITY (STATE: CALIFORNIA)

Lease Revenue Bonds, Series 1998A (City of San Diego, California, as Lessee): CUSIP 79727L

CITY OF SAN DIEGO/MTDB AUTHORITY (STATE: CALIFORNIA);

2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding): CUSIP 797448

COMMUNITY FACILITIES DISTRICTS (STATE: CALIFORNIA)

City of San Diego Community Facilities District No. 1 (Miramar Ranch North) Special Tax Refunding Bonds, Series 1998: CUSIP 797316

Other Obligated Person's Name (if any): _____
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP* number(s), if available, of Issuer: **SEE ABOVE SECTION FOR ALL CUSIP NUMBERS**

*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

TYPE OF FILING:

☒ Electronic 6 pages

Paper (no. of pages attached) _____

If information is also available on the Internet, give URL: **NOT AVAILABLE** _____

WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)

A. Annual Financial Information and Operating Data pursuant to Rule 15c2-12

(Financial information and operating data should not be filed with the MSRB.)

Fiscal Period Covered:

B. Audited Financial Statements or CAFR pursuant to Rule 15c2-12 Fiscal Period Covered:

C. Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)

- | | |
|---|---|
| 1. Principal and interest payment delinquencies _____ | 6. Adverse tax opinions or events affecting the tax-exempt status of the security _____ |
| 2. Non-payment related defaults _____ | 7. Modifications to the rights of security holders _____ |
| 3. Unscheduled draws on debt service reserves reflecting financial difficulties _____ | 8. Bond calls _____ |
| 4. Unscheduled draws on credit enhancements reflecting financial difficulties _____ | 9. Defeasances _____ |
| 5. Substitution of credit or liquidity providers, or their failure to perform _____ | 10. Release, substitution, or sale of property securing repayment of the securities _____ |
| | 11. Rating changes <u>X</u> |

D. Notice of Failure to Provide Annual Financial Information as Required

E. Other Secondary Market Information (Specify): _____

I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:

Issuer Contact:

Name MARY LEWIS Title CHIEF FINANCIAL OFFICER

Employer CITY OF SAN DIEGO

Address 202 C STREET, MAIL STATION 9A City SAN DIEGO State CA Zip Code 92101

Dissemination Agent Contact:

Name: MARY LEWIS Title: CHIEF FINANCIAL OFFICER

Employer: CITY OF SAN DIEGO

Address: 202 C STREET, MAIL STATION 9A City: SAN DIEGO State: CA Zip Code: 92101

Relationship to Issuer: DISCLOSURE REPRESENTATIVE

Press Contact:

Name _____ Title _____

Employer _____

Address _____ City _____ State _____ Zip Code _____

Dated June 27, 2008

NOTICE IS HEREBY GIVEN that on June 19, 2008 Moody's Investor Service (Moody's) lowered its financial strength ratings on Ambac Assurance Corporation (Ambac) to "Aa3" from "Aaa" with a Negative Outlook. In addition, Moody's lowered its financial strength ratings on MBIA Insurance Corporation (MBIA) to "A2" from "Aaa" with a Negative Outlook. As a result of the downgrade by Moody's of Ambac and MBIA, there has been a corresponding downgrade of the bonds identified on the cover hereof as it relates to the insured ratings. For each of the bond issuances identified on the cover, we have attached a table setting forth the insured ratings from the three rating agencies prior to the downgrades, the current insured ratings and the current underlying ratings.

The ratings reflect the view of the rating agencies and any desired explanation of the significance of a rating should be obtained from the respective rating agency. Such ratings are not a recommendation to buy, sell or hold any City indebtedness. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such ratings will continue for any given period or that such ratings will not be revised downward or withdrawn entirely provided, if in the view of such rating agency, circumstances warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price or marketability of the City's obligation identified on the cover page hereof.

DATED: 6/25, 2008

CITY OF SAN DIEGO

By: _____

Mary Lewis

Chief Financial Officer

Distribution: Nationally Recognized Municipal Securities Information Repositories
Wells Fargo Bank, National Association
BNY Western Trust Company
U.S. Bank, Corporate Trust Services

Ratings as of June 27, 2008

Issuance	Insurer	Standard & Poor's			Moody's			Fitch		
		Initial Insured Rating	Current Insured Rating	Current Underlying Rating	Initial Insured Rating	Current Insured Rating	Current Underlying Rating	Initial Insured Rating	Current Insured Rating	Current Underlying Rating
City of San Diego 2003 Certificates of Participation (1993 Balboa Park/Mission Bay Park Refunding)	Ambac	AAA	AA	A-	Aaa	Aa3	Baa2	AAA	AA	BBB-
Public Facilities Financing Authority of the City of San Diego Lease Revenue Bonds Series 2002B (Fire and Life Safety Facilities Project)	MBIA	AAA	AA	A-	Aaa	A2	Baa2	AAA	AA	BBB-
Public Facilities Financing Authority of the City of San Diego Subordinated Water Revenue Bonds Series 2002 (Payable Solely from Subordinated Installment Payments Secured by Net System Revenues of the Water Utility Fund)	MBIA	AAA	AA	A+	Aaa	A2	A3	AAA	AA	BBB
Public Facilities Financing Authority of the City of San Diego Taxable Lease Revenue Bonds Series 1996A (San Diego Jack Murphy Stadium)	MBIA	AAA	AA	A-	Aaa	A2	Baa3	AAA	AA	NR
Public Facilities Financing Authority of the City of San Diego Sewer Revenue Bonds, Series 1993	Ambac	AAA	AA	A+	Aaa	Aa3	A3	AAA	AA	BBB+
Public Facilities Financing Authority of the City of San Diego Refunding Revenue Bonds (Reassessment District No. 1999-1) Series 1999-A Senior Lien Bonds and Series 1999-B Subordinate Lien Bonds	Ambac	AAA	AA	N/R	Aaa	Aa3	N/R	AAA	AA	N/R
Public Facilities Financing Authority of the City of San Diego Lease Revenue Refunding Bonds, Series 2007 (Ballpark Refunding)*	Ambac	N/R	N/R	N/R	Aaa	Aa3	N/R	N/R	N/R	N/R
Convention Center Expansion Financing Authority Lease Revenue Bonds Series 1998A (City of San Diego, California, as Lessee)	Ambac	AAA	AA	A-	Aaa	Aa3	Baa2	AAA	AA	BBB-
City of San Diego/MTDB Authority 2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding)	Ambac	AAA	AA	A-	Aaa	Aa3	Baa2	AAA	AA	BBB-
City of San Diego Community Facilities District No. 1 (Miramar Ranch North) Special Tax Refunding Bonds Series 1998	MBIA	AAA	AA	N/R	Aaa	A2	N/R	N/R	N/R	N/R

*The Ballpark Refunding only has an insured rating from Moody's and no underlying ratings from any of the three rating agencies

EXHIBIT A

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission:

Bloomberg Municipal Repository

100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
Email: Munis@Bloomberg.com

Interactive Data Pricing and Reference Data, Inc.

Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390
Email: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.

55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
Email: nrmsir_repository@sandp.com

DPC Data, Inc.

One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
Email: nrmsir@dpdata.com

Rating Action: Moody's downgrades Ambac to Aa3; outlook is negative

Global Credit Research - 19 Jun 2008

New York, June 19, 2008 -- Moody's Investors Service has downgraded to Aa3, from Aaa, the insurance financial strength ratings of Ambac Assurance Corporation ("Ambac") and Ambac Assurance UK Limited. In the same rating action, Moody's also downgraded the debt ratings of Ambac Financial Group, Inc. (NYSE: ABK -- senior unsecured debt to A3 from Aa3) and related financing trusts. Today's rating action concludes a review for possible downgrade that was initiated on June 4, 2008, and reflects Moody's views on Ambac's overall credit profile in the current environment, including the company's significantly constrained new business prospects, its impaired financial flexibility and increased expected and stress loss projections among its mortgage-related risk exposures relative to previous estimates. The outlook for the ratings is negative, reflecting uncertainties regarding the company's strategic plans going forward, as well as the possibility of further adverse developments in its insured portfolio. Moody's noted, however, that these risks are mitigated somewhat by the company's substantive capital cushion at the current rating level and that this was an important consideration in arriving at the Aa3 insurance financial strength rating.

As a result of today's rating action, the Moody's-rated securities that are guaranteed or "wrapped" by Ambac are also downgraded to Aa3, except those with higher public underlying ratings. A list of these securities will be made available under "Ratings Lists" at www.moody's.com/guarantors.

Moody's said that the uncertainty about the ultimate performance of Ambac's mortgage-related exposures continues to adversely affect market perceptions of the firm, greatly impairing its financial flexibility and ability to write new business. Ambac has recorded more than \$3.3 billion of cumulative loss reserves and credit impairments on its mortgage-related portfolio, mostly related to recent vintage second-lien and Alt-A RMBS and ABS CDOs. Moody's noted that Ambac has written little new business in the last few months. Furthermore, the company's financial flexibility has deteriorated substantially since its \$1.5 billion capital raise in March 2008, as evidenced by the profound decline in Ambac's market capitalization and high current spreads on its debt securities, making it extremely difficult to economically address potential capital shortfalls should markets continue to worsen.

Moody's has re-estimated expected and stress loss projections on Ambac's insured portfolio, focusing on the company's mortgage-related exposures, as well as other sectors of the portfolio potentially vulnerable to deterioration in the current environment. Based on Moody's revised assessment of the risks in Ambac's portfolio, estimated stress-case losses would approximate \$12.1 billion at the Aaa threshold and \$9.6 billion at the Aa3 threshold. This compares to Moody's estimate of Ambac's total claims paying resources of approximately \$15.4 billion. Moody's noted that its stress case estimates for Ambac's residential mortgage-related exposures increased by roughly \$200 million to \$5.6 billion, which was largely offset by insured portfolio amortization since year-end 2007. Relative to Moody's 1.3x "target" level for capital adequacy, Ambac is currently \$225 million below the Aaa target level and is approximately \$3 billion above the Aa3 target level.

Moody's said that, beyond Ambac's affected mortgage-related exposures, portfolio risks appear to be well-contained as reflected by its core low-risk municipal book and high average underlying ratings. Most non-mortgage-related structured segments are performing well, although certain exposures, such as private student loans, may be more sensitive to economic or sector deterioration. While portfolio losses could increase in a sharp economic downturn, strong premium accretion, investment earnings and portfolio amortization should help to offset any resulting impact on capital adequacy. Moody's noted, however, that downward rating pressure could occur if Ambac's capital cushion at the current rating level were to be materially eroded through the extraction of capital from Ambac Assurance Corporation, or due to further increases in projected stress loss estimates on the insured portfolio.

Moody's will continue to evaluate Ambac's ratings in the context of the future performance of the company's risk exposures relative to expectations and resulting capital adequacy levels, as well as changes to the company's strategic and capital management plans as a Aa-rated company. Ambac has announced it intends to pursue opportunities in the public finance market through its Connie Lee Insurance Company subsidiary.

LIST OF RATING ACTIONS

The following ratings have been downgraded:

Ambac Assurance Corporation -- insurance financial strength to Aa3 from Aaa;

Ambac Assurance UK Limited -- insurance financial strength to Aa3 from Aaa;

Ambac Financial Group, Inc. -- senior unsecured debt to A3 from Aa3, junior subordinated debt to Baa1 from A1 and provisional rating on preferred stock to (P)Baa2 from (P)A2;

Anchorage Finance Sub-Trusts I-IV -- contingent capital securities to A3 from Aa3; and

Dutch Harbor Finance Sub-Trusts I-IV -- contingent capital securities to A3 from Aa3.

Ambac Financial Group, Inc. (NYSE: ABK), headquartered in New York City, is a holding company whose affiliates provide financial guarantees and financial services to clients in both the public and private sectors around the world. For the three months ended March 31, 2008, the company reported a GAAP net loss of approximately \$1.7 billion. As of March 31, 2008, ABK had shareholders' equity of approximately \$1.3 billion.

New York
James Eck
Vice President - Senior Analyst
Financial Institutions Group
Moody's Investors Service
JOURNALISTS: 212-553-0376

SUBSCRIBERS: 212-553-1653

New York
Jack Dorer
Managing Director
Financial Institutions Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653



© 2011 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S ("MIS") CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodyys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a

representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.

Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. ("MJKK") are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, "MIS" in the foregoing statements shall be deemed to be replaced with "MJKK". MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness or a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.

Rating Action: Moody's downgrades MBIA's rating to A2; outlook is negative

Global Credit Research - 19 Jun 2008

New York, June 19, 2008 -- Moody's Investors Service has downgraded to A2, from Aaa, the insurance financial strength ratings of MBIA Insurance Corporation (MBIA) and its affiliated insurance operating companies. In the same rating action, Moody's also downgraded the surplus note rating of MBIA Insurance Corporation to Baa1, from Aa2, and the senior debt rating of the holding company, MBIA, Inc. (NYSE: MBI) to Baa2, from Aa3. Today's rating action concludes a review for possible downgrade that was initiated on June 4, 2008, and reflects MBIA's limited financial flexibility and impaired franchise, as well as the substantial risk within its portfolio of insured exposures and a movement toward more aggressive capital management within the group. The rating agency said that while the group remains strongly capitalized, estimated to be consistent with a Aa level rating, and benefits from substantial embedded earnings in its existing insurance portfolio, these other business factors led to the lower rating outcome. Furthermore, MBIA's insured portfolio remains vulnerable to further economic deterioration, particularly given the leverage contained in its sizable portfolio of securitization transactions, including some commercial real estate CDOs. The outlook for the ratings is negative, reflecting the material uncertainty about the firm's strategy and the non-negligible likelihood of further adverse developments in its insurance portfolios or operations.

As a result of today's rating action, the Moody's-rated securities that are guaranteed or "wrapped" by MBIA are also downgraded to A2, except those with higher public underlying ratings. A list of these securities will be made available under "Ratings Lists" at www.moody.com/guarantors.

Moody's said that substantial uncertainty about the ultimate performance of MBIA's mortgage related exposures continues to adversely affect market perceptions of the firm, greatly impairing its financial flexibility and ability to write new insurance. MBIA has recorded approximately \$2.1 billion in cumulative loss reserves and impairments associated with its mortgage related portfolio, mostly from second lien mortgage backed securities and asset-backed CDOs (ABS CDOs). Moody's noted that, over the last few months, MBIA has written little new business, and its financial flexibility has deteriorated substantially as evidenced by the significant decline in the company's stock price and high current spreads on its debt securities, making it extremely difficult to economically address potential capital shortfalls should markets continue to worsen.

Moody's has re-estimated expected and stress loss projections on MBIA's insured portfolio, focusing on the company's mortgage-related exposures as well as other sectors of the portfolio potentially vulnerable to deterioration in the current environment. Based on Moody's revised assessment of the risks in MBIA's portfolio, estimated stress-case losses would approximate \$13.6 billion at the Aaa threshold and \$9.4 billion at the A2 threshold. This compares to Moody's estimate of MBIA's claims paying resources of approximately \$15.1 billion. Moody's noted that its stress case estimates for MBIA's residential mortgage-related exposures increased by roughly \$500 million to \$5.9 billion, which was largely offset by insured portfolio amortization since year-end 2007. Relative to Moody's 1.3x "target" level for capital adequacy, MBIA is currently \$2.6 billion below the Aaa target level and is \$2.8 billion above the A2 target level.

The rating agency noted that MBIA's recent decision to retain at the holding company the \$1.1 billion in proceeds from its most recent equity offering is indicative of a more aggressive capital management strategy, and is a negative credit consideration for the insurance company's rating. Such decision, however, puts the holding company in a strong liquidity position, said Moody's, providing additional comfort about the firm's ability to manage the effect of acceleration and collateralization in its GIC business triggered by the downgrade. MBIA has indicated that the firm does not intend to issue additional dilutive capital in the current environment and that it will review its strategic options for redeploying the holding company funds, including possible stock buybacks.

Moody's said that, beyond MBIA's affected mortgage related exposures, portfolio risks appear to be well contained as reflected by its core low-risk municipal book and high average underlying ratings. Most structured finance sectors outside of residential mortgage related products are performing well, although certain exposures, such as some commercial real estate CDOs, because of their leveraged structure and sector concentration, may be more sensitive to severe economic or sector deterioration. While portfolio losses could increase in a sharp economic downturn, strong premium accretion, investment earnings and portfolio amortization should help to offset any resulting impact on capital adequacy. Moody's noted, however, that downward rating pressure could occur if MBIA's capital position eroded through the extraction of capital or due to further increases in projected stress loss estimates.

Moody's will continue to evaluate MBIA's ratings in the context of the future performance of the company's mortgage-related exposures relative to expectations and resulting capital adequacy levels, as well as changes to the company's strategic and capital management plans as a single-A rated company. In February, MBIA announced a long-term strategic objective of separating its municipal insurance, structured insurance and asset management businesses into distinct legal entities. Moody's said that management's recent decision to retain at the holding company the \$1.1 billion in proceeds from its latest equity raise suggests that the firm is contemplating a more accelerated timeframe for such transformation.

LIST OF RATING ACTIONS

The following ratings have been downgraded:

- MBIA Insurance Corporation -- insurance financial strength to A2 from Aaa, and surplus notes to Baa1 from Aa2;
- MBIA Insurance Corporation of Illinois -- insurance financial strength to A2 from Aaa;
- Capital Markets Assurance Corporation -- insurance financial strength to A2 from Aaa;
- MBIA UK Insurance Limited -- insurance financial strength to A2 from Aaa;
- MBIA Assurance S.A. -- insurance financial strength to A2 from Aaa;
- MBIA Mexico S.A. de C.V.'s -- insurance financial strength to A2 from Aaa (the firm's Aaa.mx -- national scale rating -- is affirmed);

- MBIA Inc. -- senior unsecured debt to Baa2 from Aa3, provisional senior debt to (P) Baa2 from (P) Aa3, provisional subordinated debt to (P) Baa3 from (P) A1, and provisional preferred stock to (P) Ba1 from (P) A2;
- North Castle Custodial Trusts I-VIII -- contingent capital securities to Baa2 from Aa3;

Established in 1974, MBIA provides financial guarantees to issuers in the municipal and structured finance markets in the United States, as well as internationally. MBIA also offers various complementary services, such as investment management and municipal investment contracts.

New York
Stanislas Rouyer
Senior Vice President
Financial Institutions Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

New York
Jack Dorer
Managing Director
Financial Institutions Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653



© 2011 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S ("MIS") CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred

stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.

Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. ("MJKK") are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, "MIS" in the foregoing statements shall be deemed to be replaced with "MJKK". MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness or a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.