

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION

v.
MBIA INC.

07 Civ. 658 (LLS)

**NOTICE OF DISTRIBUTION PLAN OF UNITED STATES SECURITIES AND EXCHANGE COMMISSION FAIR FUND TO
PRESENT AND FORMER OWNERS OF COMMON STOCK OF MBIA INC.**

TO: All persons or entities who had net purchases of MBIA Inc. (“MBIA”) common stock from September 11, 1998 through November 22, 2004. If you satisfy the eligibility requirements described below and wish to share in the distribution of this Fair Fund, you must complete and submit a Claim Form to the Distribution Agent postmarked on or before the Claims Bar Date December 29, 2008.

THIS NOTICE CONTAINS IMPORTANT INFORMATION ABOUT YOUR RIGHTS AND THE ELIGIBILITY CRITERIA THAT MAY ENTITLE YOU TO A RECOVERY FROM THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (“SEC” OR “COMMISSION”) FAIR FUND FOR PRESENT AND FORMER OWNERS OF MBIA COMMON STOCK.

I. Purpose of this Notice

The purpose of this Notice is to advise you that you may be eligible to participate in the benefits of distribution from the Fair Fund described in this Notice. This Notice describes the steps you must take to file a Claim Form for these benefits. The Claim Form attached to this Notice has been mailed to potentially eligible claimants who were identified by the Distribution Agent. Claim Forms are also available for download on the SEC v. MBIA Fair Fund website at www.SECMBIAfairfund.com or you may write to the Distribution Agent and request a Claim Form.

II. Background

On January 29, 2007, the United States Securities and Exchange Commission filed and settled a civil action against MBIA alleging that MBIA had violated the federal securities laws. On February 22, 2007, the United States District Court for the Southern District of New York (the “Court”) entered Final Judgment against MBIA, to which MBIA consented without admitting or denying the allegations in the SEC’s Complaint. Pursuant to the Final Judgment MBIA paid \$50,000,001 comprised of a \$50 million penalty plus \$1.00 in disgorgement. On March 1, 2007 MBIA paid an additional \$10 million pursuant to an Assurance of Discontinuance entered by the Office of the Attorney General of the State of New York. The size of the Fair Fund available to compensate harmed investors is approximately \$60 million (plus accrued interest less tax obligations, fees and expenses). The funds making up the two payments were deposited in an interest bearing account with the Court Registry Investment System (“CRIS”).

In an order of May 22, 2008, the Court established a Fair Fund in accordance with Section 308(a) of the Sarbanes-Oxley Act. The Fair Fund includes all of the funds in the CRIS account established in this action and any other amounts subsequently paid into that account. The Court’s order appointed Laurence Storch as Distribution Agent to prepare a Distribution Plan for the Fair Fund. The Court approved the Distribution Plan on September 30, 2008.

III. Eligible Claimants

“Eligible Claimants” are those claimants filing a signed Claim Form with the Distribution Agent on or before the Claims Bar Date who are finally determined by the Distribution Agent to be eligible for distribution from the Fair Fund as provided herein because they were investors that had net purchases of MBIA common stock from September 11, 1998 through November 18 and/or 22, 2004.

“Eligible Claimants” do not include:

- a) any directors or officers, or former directors or officers, of MBIA or any of its past or present affiliates (or any of their affiliates, assigns, heirs, distributees, spouses, parents, children, or controlled entities) who served in such capacity on or after September 11, 1998;
- b) any employee of MBIA or of any of its past or present affiliates who has been terminated for cause in connection with the violations alleged in the Commission’s complaint in this action or any related Commission action, or who was otherwise terminated or has resigned in connection with the violations alleged in the Commission’s complaint in this action or any related Commission action (or any of such employee’s affiliates, assigns, heirs, distributees, spouses, parents, children, or controlled entities);

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- c) Axa Re Finance, (“Axa”), Meunchener Rueckversicherungs-Gesellschaft AG (“Munich”) or Zurich Reinsurance (North America), Inc., now known as Converium Reinsurance (North America) Inc., (“Zurich”) or any of their past or present affiliates or any directors or officers, or former directors or officers, of Axa, Munich or Zurich or any of their past or present affiliates (or any of their affiliates, assigns, heirs, distributees, spouses, parents, children, or controlled entities) who served in such capacity on or after September 11, 1998;
- d) any individual or entity who, as of the Claims Bar Date, has been the subject of criminal charges related to the violations alleged in the Commission’s complaint in this action or in any related Commission action including any action by the New York State Attorney General’s Office (or any of his or her affiliates, assigns, heirs, distributees, spouses, parents, children, or controlled entities); or
- e) any Person who: (i) assigned its rights to a recovery in the Commission’s lawsuit against MBIA to a third party; or (ii) is the assignee of a third party’s rights to any such recovery (other than by right of inheritance or devise).

IV. Allocation of Payment Among Eligible Claimants

Net purchased shares held at the close of trading on November 18, 2004 and sold on or held after November 19, 2004 will be entitled to claims of \$1.11 per share. Net purchased shares held at the close of trading on November 22, 2004 and sold on or held after November 23, 2004 will be entitled to claims of \$1.80 per share. Trade dates will be used in fixing the purchase and sale dates.

The receipt or grant of a gift of an Eligible Security during the Recovery Period shall not be deemed to be a purchase of an Eligible Security during the Recovery Period. However, the recipient of the Eligible Security as a gift or as a distribution from an estate shall be eligible to file a Claim Form and participate in the distribution of the Fair Fund to the extent the particular donor or decedent would have been eligible, based on the circumstances of such purchase within the Recovery Period. However, the donee (or beneficiary) and the donor (or estate) may not both claim with regard to the same Eligible Securities. If both the donor (or estate) and the donee (or beneficiary) make such a claim, only the claim filed by the donee (or beneficiary) will be honored.

In the event the monies available from the Fair Fund are not sufficient to cover the total claims, the Distribution Agent shall make distributions to claimants on a *pro rata* basis (calculated after deductions for amounts expended or to be expended for taxes and fees). Payments will not be made to claimants whose payment is calculated to be less than \$25.00 whether or not the Distribution Agent is required to *pro rate* the claims. The Distribution Agent may, in his sole discretion, aggregate the accounts held by an individual or entity to reach the \$25.00 minimum requirement.

In the event the monies available from the Fair Fund, calculated after deductions expended or to be expended for taxes and fees, exceed the total dollar amount of the eligible claims the Distribution Agent shall pay the eligible claims interest at the Federal Judgment rate set forth in 28 U.S.C. §1961. The Distribution Agent may, in his sole discretion, *pro rate* the interest calculation based upon available excess funds.

The Fair Fund shall terminate after the final distribution of funds to the Eligible Claimants and the resolution of uncashed and unclaimed funds. Upon termination of the Fair Fund the Distribution Agent shall cooperate with the Tax Administrator to make adequate reserves for tax liability and for the costs of tax compliance. Any remaining amounts after payment to the Eligible Claimants will be paid to the general fund of the United States Treasury or in accordance with a final plan of residual distribution.

V. Instructions for Obtaining and Filing a Claim Form

A Claim Form is included with this Notice. If you require additional information or forms you may also obtain them from the SEC v. MBIA Fair Fund website at www.SECMBIAfairfund.com. You may also request them by calling 1-888-356-0275 or you may submit a written request to the address below.

Be sure to complete all information requested on the Claim Form that applies to you and include sufficient documentation reflecting your holdings of all Eligible Securities. If you do not provide all required information including your signature, your claim may be deemed ineligible. Your completed Claim Form must be postmarked on or before the **Claims Bar Date December 29, 2008** to be considered for eligibility in the Fair Fund distribution.

SEC v. MBIA Fair Fund
Laurence Storch, Distribution Agent
P.O. Box 921
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