FORM 10-Q

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended MARCH 31, 2008

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to

Commission file number 1-10816

MGIC INVESTMENT CORPORATION

(Exact name of registrant as specified in its charter)

WISCONSIN (State or other jurisdiction of incorporation or organization)	**39-1486475** (I.R.S. Employer Identification No.)
250 E. KILBOURN AVENUE **MILWAUKEE, WISCONSIN** (Address of principal executive offices)	**53202** (Zip Code)

(414) 347-6480
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☑ **NO** o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer o Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES o **NO** ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS OF STOCK	PAR VALUE	DATE	NUMBER OF SHARES
Common stock	$1.00	04/30/08	125,064,064

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2008 (Unaudited) and December 31, 2007

	March 31, 2008	December 31, 2007
	(In thousands of dollars)	
ASSETS		
Investment portfolio (note 6):		
Securities, available-for-sale, at market value:		
Fixed maturities (amortized cost, 2008-$6,130,717; 2007-$5,791,562)	$6,174,342	$ 5,893,591
Equity securities (cost, 2008-$2,711; 2007-$2,689)	2,647	2,642
Total investment portfolio	6,176,989	5,896,233
Cash and cash equivalents	1,087,243	288,933
Accrued investment income	80,448	72,829
Reinsurance recoverable on loss reserves	89,235	35,244
Prepaid reinsurance premiums	8,598	8,715
Premiums receivable	102,776	107,333
Home office and equipment, net	33,772	34,603
Deferred insurance policy acquisition costs	10,978	11,168
Investments in joint ventures	168,225	155,430
Income taxes recoverable	694,110	865,665
Other assets	216,023	240,208
Total assets	$8,668,397	$ 7,716,361
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Loss reserves	$3,017,331	$ 2,642,479
Premium deficiency reserves	947,060	1,210,841
Unearned premiums	296,067	272,233
Short- and long-term debt (note 2)	798,309	798,250
Convertible debentures (note 3)	355,679	—
Other liabilities	267,228	198,215
Total liabilities	5,681,674	5,122,018
Contingencies (note 4)		
Shareholders' equity (note 9):		
Common stock, $1 par value, shares authorized 300,000,000; shares issued, 3/31/08 - 130,118,744 12/31/07 - 123,067,426; shares outstanding, 3/31/08 - 124,949,399 12/31/07 - 81,793,185	130,119	123,067
Paid-in capital	354,985	316,649
Treasury stock (shares at cost, 3/31/08 - 5,169,345 12/31/07 - 41,274,241)	(283,400)	(2,266,364)
Accumulated other comprehensive income, net of tax	39,217	70,675
Retained earnings	2,745,802	4,350,316
Total shareholders' equity	2,986,723	2,594,343
Total liabilities and shareholders' equity	$8,668,397	$ 7,716,361

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended March 31, 2008 and 2007
(Unaudited)

	Three Months Ended March 31,	
	2008	2007
	(In thousands of dollars, except share and per share data)	
Revenues:		
Premiums written:		
Direct	$ 420,546	$ 341,838
Assumed	2,763	684
Ceded	(54,855)	(38,488)
Net premiums written	368,454	304,034
Increase in unearned premiums, net	(22,966)	(5,013)
Net premiums earned	345,488	299,021
Investment income, net of expenses	72,482	62,970
Realized investment losses, net	(1,194)	(3,010)
Other revenue	7,099	10,661
Total revenues	423,875	369,642
Losses and expenses:		
Losses incurred, net	691,648	181,758
Change in premium deficiency reserves	(263,781)	—
Underwriting and other expenses, net	76,986	75,072
Interest expense	10,914	10,959
Total losses and expenses	515,767	267,789
(Loss) income before tax and joint ventures	(91,892)	101,853
(Credit) provision for income tax	(47,521)	23,543
Income from joint ventures, net of tax	9,977	14,053
Net (loss) income	$ (34,394)	$ 92,363
Earnings per share (note 5):		
Basic	$ (0.41)	$ 1.13
Diluted	$ (0.41)	$ 1.12
Weighted average common shares outstanding - - diluted (shares in thousands, note 5)	84,127	82,354
Dividends per share	$ 0.025	$ 0.25

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Year Ended December 31, 2007 and Three Months Ended March 31, 2008 (unaudited)

	Common stock	Paid-in capital	Treasury stock	Accumulated other comprehensive income (note 2)	Retained earnings	Comprehensive (loss) income
			(In thousands of dollars)			
Balance, December 31, 2006	$123,029	$310,394	$(2,201,966)	$ 65,789	$ 5,998,631	
Net loss	—	—	—	—	(1,670,018)	$ (1,670,018)
Change in unrealized investment gains and losses, net	—	—	—	(17,767)	—	(17,767)
Dividends declared	—	—	—	—	(63,819)	
Common stock shares issued	38	2,205	—	—	—	
Repurchase of outstanding common shares	—	—	(75,659)	—	—	
Reissuance of treasury stock	—	(14,187)	11,261	—	—	
Equity compensation	—	18,237	—	—	—	
Defined benefit plan adjustments, net	—	—	—	14,561	—	14,561
Change in the liability for unrecognized tax benefits	—	—	—	—	85,522	
Unrealized foreign currency translation adjustment	—	—	—	8,456	—	8,456
Other	—	—	—	(364)	—	(364)
Comprehensive loss	—	—	—	—	—	$ (1,665,132)
Balance, December 31, 2007	$123,067	$316,649	$(2,266,364)	$ 70,675	$ 4,350,316	
Net loss	—	—	—	—	(34,394)	$ (34,394)
Change in unrealized investment gains and losses, net	—	—	—	(35,149)	—	(35,149)
Dividends declared	—	—	—	—	(2,048)	
Common stock shares issued (note 9)	7,052	68,706	—	—	—	
Repurchase of outstanding common shares	—	—	—	—	—	
Reissuance of treasury stock (note 9)	—	(36,698)	1,982,964	—	(1,568,072)	
Equity compensation	—	6,328	—	—	—	
Unrealized foreign currency translation adjustment	—	—	—	3,624	—	3,624
Other	—	—	—	67	—	67
Comprehensive loss	—	—	—	—	—	$ (65,852)
Balance, March 31, 2008	$130,119	$354,985	$ (283,400)	$ 39,217	$ 2,745,802	

See accompanying notes to consolidated financial statements

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Three Months Ended March 31, 2008 and 2007
(Unaudited)

	Three Months Ended March 31,	
	2008	2007
	(In thousands of dollars)	
Cash flows from operating activities:		
Net (loss) income	$ (34,394)	$ 92,363
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred insurance policy acquisition costs	2,260	2,660
Increase in deferred insurance policy acquisition costs	(2,070)	(1,816)
Depreciation and amortization	4,619	4,708
Increase in accrued investment income	(7,619)	(958)
Increase in reinsurance recoverable on loss reserves	(53,991)	(204)
Decrease in prepaid reinsurance premiums	117	498
Decrease premium receivable	4,557	201
Increase in loss reserves	374,852	15,851
Decrease in premium deficiency reserve	(263,781)	—
Increase in unearned premiums	23,834	4,514
Decrease in income taxes recoverable	171,555	32,074
Equity earnings in joint ventures	(12,785)	(19,338)
Distributions from joint ventures	297	51,512
Realized loss	1,194	3,010
Other	52,231	(6,087)
Net cash provided by operating activities	260,876	178,988
Cash flows from investing activities:		
Purchase of fixed maturities	(887,898)	(466,702)
Purchase of equity securities	(22)	(22)
Increase in collateral under securities lending	—	(58,215)
Additional investment in joint ventures	(208)	(210)
Proceeds from sale of fixed maturities	394,889	294,516
Proceeds from maturity of fixed maturities	159,602	142,880
Other	58,422	4,087
Net cash used in investing activities	(275,215)	(83,666)
Cash flows from financing activities:		
Dividends paid to shareholders	(2,048)	(20,760)
Repayment of long-term debt	—	(200,000)
Net proceeds from short-term debt	—	25,376
Net proceeds from convertible debentures	353,770	—
Increase in obligations under securities lending	—	58,215
Reissuance of treasury stock	385,169	1,255
Common stock issued	75,758	1,942
Excess tax benefits from share-based payment arrangements	—	(45)
Net cash provided by (used in) financing activities	812,649	(134,017)
Net increase (decrease) in cash and cash equivalents	798,310	(38,695)
Cash and cash equivalents at beginning of period	288,933	293,738
Cash and cash equivalents at end of period	$1,087,243	$ 255,043

See accompanying notes to consolidated financial statements.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2008
(Unaudited)

Note 1 — Basis of presentation and summary of certain significant accounting policies

The accompanying unaudited consolidated financial statements of MGIC Investment Corporation and its wholly-owned subsidiaries have been prepared in accordance with the instructions to Form 10-Q as prescribed by the Securities and Exchange Commission ("SEC") for interim reporting and do not include all of the other information and disclosures required by accounting principles generally accepted in the United States of America. These statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2007 included in our Annual Report on Form 10-K.

In the opinion of management such financial statements include all adjustments, consisting primarily of normal recurring accruals, necessary to fairly present our financial position and results of operations for the periods indicated. The results of operations for the three months ended March 31, 2008 may not be indicative of the results that may be expected for the year ending December 31, 2008.

New Accounting Standards

In March 2008 the Financial Accounting Standards Board issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities." The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We are currently evaluating the provisions of this statement and the impact, if any, this statement will have on our disclosures.

In February 2008, the FASB issued Financial Statement of Position FAS 157-2. This statement defers the effective date of FAS 157 for all non-financial assets and non-financial liabilities measured on a non-recurring basis to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. We are currently evaluating the requirements of this statement and the impact, if any, this statement will have on our financial position and results of operations.

Fair Value Measurements

Effective January 1, 2008, we adopted the fair value measurement provisions of SFAS No. 157, "Fair Value Measurements." SFAS No. 157 provides enhanced guidance for using fair value to measure assets and liabilities. This statement defines fair value, expands disclosure requirements about fair value and specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or

unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect a company's market assumptions. Fair value is used on a recurring basis for assets and liabilities in which fair value is the primary basis of accounting (i.e., available-for-sale securities). Additionally, fair value is used on a nonrecurring basis to evaluate assets or liabilities for impairment or for disclosure purposes.

Fair value is defined as the price that would be received in a sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, we use various valuation techniques and assumptions when estimating fair value. In accordance with SFAS No. 157, we applied the following fair value hierarchy in order to measure fair value for assets and liabilities:

Level 1 – Quoted prices for identical instruments in active markets that we have the ability to access. Financial assets utilizing Level 1 inputs include certain U.S. Treasury securities and obligations of the U.S. government.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and inputs, other than quoted prices, that are observable in the marketplace for the financial instrument. The observable inputs are used in valuation models to calculate the fair value of the financial instruments. Financial assets utilizing Level 2 inputs include certain municipal and corporate bonds.

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or value drivers are unobservable. Level 3 inputs reflect our own assumptions about the assumptions a market participant would use in pricing an asset or liability. Financial assets utilizing Level 3 inputs include certain state, corporate and mortgage-backed securities.
Non-financial assets which utilize Level 3 inputs include real estate acquired through claim settlement. Additionally, financial liabilities utilizing Level 3 inputs consist of derivative financial instruments.

The adoption of SFAS No. 157 resulted in no changes to January 1, 2008 retained earnings.

Fair Value Option

In conjunction with the adoption of SFAS No. 157, we have adopted SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." This statement provides companies with an option to report selected financial assets and liabilities at fair value on an instrument-by-instrument basis. After the initial adoption, the election to report a financial asset or liability at fair value is made at the time of acquisition and it generally may not be revoked. The objective of this statement is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. The adoption of SFAS No. 159 resulted in no changes to January 1, 2008 retained earnings as we elected not to apply the fair value option to financial instruments not currently carried at fair value.

Reclassifications

Certain reclassifications have been made in the accompanying financial statements to 2007 amounts to conform to 2008 presentation.

Note 2 — Short- and long-term debt

We have a commercial paper program, which is rated “A-3” by Standard and Poors (“S&P”) and “P-2” by Moody’s. The amount available under this program is $300 million less any amounts drawn under the credit facility discussed below. At March 31, 2008 and December 31, 2007 we had no commercial paper outstanding because, as noted below, in 2007 we made a draw on the entire amount of our revolving credit facility and repaid the amounts then-outstanding under this program.

We have a $300 million, five year revolving credit facility, expiring in March 2010. The credit facility requires us to maintain shareholders’ equity of at least $2.25 billion and Mortgage Guaranty Insurance Corporation (“MGIC”) to maintain a statutory risk-to-capital ratio of not more than 22:1 and maintain policyholders’ position (which includes MGIC’s statutory surplus and its contingency reserve) of not less than the amount required by Wisconsin insurance regulations. However the credit facility was amended on March 14, 2008 to modify the shareholders’ equity requirement to require us to maintain a consolidated shareholders’ equity balance of no less than $2.25 billion at any time prior to March 31, 2008 and after July 1, 2008, and no less than $1.85 billion during the period between March 31, 2008 through and including July 1, 2008. The amendment did not modify the other requirements under the terms of the credit facility. At March 31, 2008, these requirements were met. Our shareholders’ equity was $2.99 billion and $2.59 billion at March 31, 2008 and December 31, 2007, respectively. Prior to August 2007, the credit facility had been used as a liquidity back up facility for the outstanding commercial paper. In August 2007, we drew the entire $300 million on the credit facility. These funds, in part, were utilized to repay the outstanding commercial paper, which approximated $177 million at the time of the credit facility draw. We drew the portion of the revolving credit facility equal to the outstanding commercial paper because we believed that funding with a long-term maturity was superior to funding that required frequent renewal on a short-term basis. We drew the remainder of the credit facility to provide us with greater financial flexibility at the holding company level. At March 31, 2008 we continued to have the entire $300 million outstanding under this facility.

At March 31, 2008 and December 31, 2007 we had $200 million, 5.625% Senior Notes due in September 2011 and $300 million, 5.375% Senior Notes due in November 2015, as well as $300 million outstanding under the credit facility. At March 31, 2008 and December 31, 2007, the fair value of this outstanding debt was $714.0 million and $772.0 million, respectively.

Interest payments on all long-term and short-term debt were $10.2 million and $12.5 million for the three months ended March 31, 2008 and 2007, respectively.

If we fail to maintain any of the requirements under the credit facility discussed above and are not successful in obtaining an agreement from banks holding a majority of the debt outstanding under the facility to change (or waive) the applicable requirement, then banks holding a majority of the debt outstanding under the facility would have the right to declare the entire amount of the outstanding debt due and payable. If the debt under our bank facility were accelerated in this manner, the holders of 25% or more of our publicly traded $200 million 5.625% Senior Notes due in September 2011, and the holders of 25% or more of our publicly traded $300 million 5.375% Senior Notes due in November 2015, each would have the right to accelerate the maturity of that debt. In addition, the Trustee of these two issues of Senior Notes, which is also a lender under our bank credit facility, could, independent of any action by holders of Senior Notes, accelerate the maturity of the Senior Notes.

Note 3 – Convertible debentures and related derivative

In March 2008 we completed the sale of $365 million principal amount of 9% Convertible Junior Subordinated Debentures due in 2063. In April 2008, the initial purchasers exercised an option to purchase an additional $25 million aggregate principal amount of these debentures. The debentures were sold in private placements to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. Interest on the debentures will be payable semi-annually in arrears on April 1 and October 1 of each year, beginning on October 1, 2008. We may defer interest, under an optional deferral provision, for one or more consecutive interest periods up to ten years without giving rise to an event of default. Deferred interest will accrue additional interest at the rate then applicable to the debentures.

The debentures will rank junior to all of our existing and future senior indebtedness. The net proceeds of the debentures issued in March of approximately $354 million were used to increase the capital of MGIC, our principal insurance subsidiary, in order to enable us to expand the volume of our new business and will also be used for our general corporate purposes. Debt issuance costs will be amortized over the expected life to interest expense.

We may redeem the debentures prior to April 6, 2013, in whole but not in part, only in the event of a specified tax or rating agency event, as defined in the indenture. In any such event, the redemption price will be equal to the greater of (1) 100% of the principal amount of the debentures being redeemed and (2) the applicable make-whole amount, in each case plus any accrued but unpaid interest. On or after April 6, 2013, we may redeem the debentures in whole or in part from time to time, at our option, at a redemption price equal to 100% of the principal amount of the debentures being redeemed plus any accrued and unpaid interest if the closing sale price of our common stock exceeds 130% of the then prevailing conversion price of the debentures for at least 20 of the 30 trading days preceding notice of the redemption. We will not be able to redeem the debentures, other than in the event of a specified tax event or rating agency event, during an optional deferral period.

The debentures are convertible, at the holder’s option, at an initial conversion rate, which is subject to adjustment, of 74.0741 shares per $1,000 principal amount of debentures at any time prior to the maturity date. This represents an initial conversion price of approximately $13.50 per share. The initial conversion price represents a 20%

conversion premium based on the $11.25 per share price to the public in our concurrent common stock offering. (See Note 9.)

In lieu of issuing shares of common stock upon conversion of the debentures occurring after April 6, 2013, we may, at our option, make a cash payment to converting holders equal to the value of all or some of the shares of our common stock otherwise issuable upon conversion.

Our common stock is listed on the New York Stock Exchange, or NYSE. One of the NYSE's rules limits the number of shares of our common stock that the convertible debentures may be converted into to less than 20% of the number of shares outstanding immediately before the issuance of the convertible debentures. We closed the sale of our common stock before the sale of the convertible debentures, which resulted in approximately 124.9 million shares of our common stock outstanding prior to the debentures being issued. At the initial conversion rate the outstanding debentures at March 31, 2008 are convertible into approximately 21.6% of our common stock outstanding, 2.1 million shares above the NYSE limit (giving effect to the sale of additional debentures in April 2008, 23.1% and 3.9 million shares). At a special shareholders' meeting we expect to hold in June 2008, we will ask our shareholders to approve the issuance of shares of our common stock sufficient to convert all of the convertible debentures.

At issuance approximately $27.8 million in face value of the convertible debentures issued in March can not be settled in our common shares without prior shareholder approval and thus requires bifurcation of any embedded derivative related to those convertible debentures. The derivative value of $9.3 million is included within Other Liabilities on the Consolidated Balance Sheet. The fair value of the derivative was determined using the Black-Scholes model. The amount of the derivative will be treated as a discount on issuance of the convertible debentures and be amortized over the expected life to interest expense.

The fair value of the convertible debentures issued in March and related derivative was approximately $357.9 million at March 31, 2008.

Note 4 — Litigation and contingencies

We are involved in litigation in the ordinary course of business. In our opinion, the ultimate resolution of this pending litigation will not have a material adverse effect on our financial position or results of operations.

Consumers are bringing a growing number of lawsuits against home mortgage lenders and settlement service providers. In recent years, seven mortgage insurers, including MGIC, have been involved in litigation alleging violations of the anti-referral fee provisions of the Real Estate Settlement Procedures Act, which is commonly known as RESPA, and the notice provisions of the Fair Credit Reporting Act, which is commonly known as FCRA. MGIC's settlement of class action litigation against it under RESPA became final in October 2003. MGIC settled the named plaintiffs' claims in litigation against it under FCRA in late December 2004 following denial of class certification in June 2004. Since December 2006, class action litigation was separately brought against a number of large lenders alleging that their captive mortgage reinsurance arrangements violated RESPA. While we are not a defendant in any of these cases,

there can be no assurance that MGIC will not be subject to future litigation under RESPA or FCRA or that the outcome of any such litigation would not have a material adverse effect on us.

In June 2005, in response to a letter from the New York Insurance Department (the "NYID"), we provided information regarding captive mortgage reinsurance arrangements and other types of arrangements in which lenders receive compensation. In February 2006, the NYID requested that we review our premium rates in New York and to file adjusted rates based on recent years' experience or to explain why such experience would not alter rates. In March 2006, we advised the NYID that we believe our premium rates are reasonable and that, given the nature of mortgage insurance risk, premium rates should not be determined only by the experience of recent years. In February 2006, in response to an administrative subpoena from the Minnesota Department of Commerce (the "MDC"), which regulates insurance, we provided the MDC with information about captive mortgage reinsurance and certain other matters. We subsequently provided additional information to the MDC, and on March 6, 2008 that Department sought additional information as well as answers to interrogatories regarding captive mortgage reinsurance. We understand from conversations with the MDC that the Department of Housing and Urban Development, commonly referred to as HUD, will also be seeking information about captive mortgage reinsurance. Other insurance departments or other officials, including attorneys general, may also seek information about or investigate captive mortgage reinsurance.

The anti-referral fee provisions of RESPA provide that HUD and the insurance commissioner or attorney general of any state may bring an action to enjoin violations of these provisions of RESPA. The insurance law provisions of many states prohibit paying for the referral of insurance business and provide various mechanisms to enforce this prohibition. While we believe our captive reinsurance arrangements are in conformity with applicable laws and regulations, it is not possible to predict the outcome of any such reviews or investigations nor is it possible to predict their effect on us or the mortgage insurance industry.

In October 2007, the Division of Enforcement of the SEC requested that we voluntarily furnish documents and information primarily relating to Credit-Based Asset Servicing and Securitization LLC, C-BASS, the now-terminated merger with Radian and the subprime mortgage assets "in the Company's various lines of business." We are in the process of providing responsive documents and information to the SEC.

We understand that two law firms have recently issued press releases to the effect that they are investigating whether the fiduciaries of our 401(k) plan breached their fiduciary duties regarding the plan's investment in or holding of our common stock. With limited exceptions, our bylaws provide that the plan fiduciaries are entitled to indemnification from us for claims against them. We intend to defend vigorously any proceeding that may result from these investigations.

On June 1, 2007, as a result of an examination by the Internal Revenue Service ("IRS") for taxable years 2000 through 2004, we received a Revenue Agent Report ("RAR"). The adjustments reported on the RAR substantially increase taxable income for those tax years and resulted in the issuance of an assessment for unpaid taxes totaling $189.5 million in taxes and accuracy-related penalties, plus applicable interest. We have

agreed with the IRS on certain issues and paid $10.5 million in additional taxes and interest. The remaining open issue relates to our treatment of the flow through income and loss from an investment in a portfolio of residual interests of Real Estate Mortgage Investment Conduits ("REMICS"). The IRS has indicated that it does not believe that, for various reasons, we have established sufficient tax basis in the REMIC residual interests to deduct the losses from taxable income. We disagree with this conclusion and believe that the flow through income and loss from these investments was properly reported on our federal income tax returns in accordance with applicable tax laws and regulations in effect during the periods involved and have appealed these adjustments. The appeals process may take some time and a final resolution may not be reached until a date many months or years into the future. On July 2, 2007, we made a payment of $65.2 million with the United States Department of the Treasury to eliminate the further accrual of interest. Although the resolution of this issue is uncertain, we believe that sufficient provisions for income taxes have been made for potential liabilities that may result. If the resolution of this matter differs materially from our estimates, it could have a material impact on our effective tax rate, results of operations and cash flows.

Under our contract underwriting agreements, we may be required to provide certain remedies to our customers if certain standards relating to the quality of our underwriting work are not met. The cost of remedies provided by us to customers for failing to meet these standards has not been material to our financial position or results of operations for the three months ended March 31, 2008 and 2007.

Note 5 — Earnings per share

Our basic and diluted earnings per share ("EPS") have been calculated in accordance with SFAS No. 128, Earnings Per Share. Basic EPS is based on the weighted average number of common shares outstanding. Typically, diluted EPS is based on the weighted average number of common shares outstanding plus common stock equivalents which include stock awards, stock options and the dilutive effect of our convertible debentures. In accordance with SFAS 128, if we report a net loss from continuing operations then our diluted EPS is computed in the same manner as the basic EPS. For the three months ended March 31, 2008 and 2007, our net (loss) income is the same for both basic and diluted EPS. The following is a reconciliation of the weighted average number of shares; however for the three months ended March 31, 2008 the basic weighted-average shares was used in the calculation of both the basic and diluted EPS due to a net loss from continuing operations.

	Three Months Ended March 31,	
	2008	2007
	(in thousands)	
Weighted-average shares — Basic	84,127	81,890
Common stock equivalents	—	464
Weighted-average shares — Diluted	84,127	82,354

Note 6 – Fair value measurements

As discussed in Note 1, we adopted SFAS No. 157 and SFAS No. 159 effective January 1, 2008. Both standards address aspects of the expanding application of fair-value accounting. SFAS No. 157 defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements regarding fair-value measurements. SFAS No. 159 provides companies with an option to report selected financial assets and liabilities at fair value with changes in fair value reported in earnings. The option to account for selected financial assets and liabilities at fair value is made on an instrument-by-instrument basis at the time of acquisition. For the period ended March 31, 2008, we did not elect the fair value option for any financial instruments acquired for which the primary basis of accounting is not fair value.

In accordance with SFAS No. 157, we applied the following fair value hierarchy in order to measure fair value for assets and liabilities:

Level 1 – Quoted prices for identical instruments in active markets that we have the ability to access. Financial assets utilizing Level 1 inputs include certain U.S. Treasury securities and obligations of the U.S. government.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and inputs, other than quoted prices, that are observable in the marketplace for the financial instrument. The observable inputs are used in valuation models to calculate the fair value of the financial instruments. Financial assets utilizing Level 2 inputs include certain municipal and corporate bonds.

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or value drivers are unobservable. Level 3 inputs reflect our own assumptions about the assumptions a market participant would use in pricing an asset or liability. Financial assets utilizing Level 3 inputs include certain state, corporate and mortgage-backed securities. Non-financial assets utilizing Level 3 inputs include real estate acquired through claim settlement. Additionally, financial liabilities utilizing Level 3 inputs consist of derivative financial instruments.

We use a pricing service to determine the fair value of securities available-for-sale in Level 1 and Level 2 of the fair value hierarchy. These services utilize a variety of inputs to determine fair value including actual trade data, benchmark yield data, broker/dealer quotes, issuer spread data and other reference information. This information is evaluated using a multidimensional pricing model. This model combines all inputs to arrive at the fair value assigned to each security. We review the prices generated by this model for reasonableness and, in some cases, further analyze and research prices generated to ensure their accuracy. Securities whose fair value is primarily based on the use of our multidimensional pricing model are classified in Level 2 and include certain municipal and corporate bonds.

Assets and liabilities classified as Level 3 are as follows:

- Securities available for sale that are not readily marketable and are valued using a combination of broker quotations and/or internally developed models based on the present value of expected cash flows utilizing data provided by the trustees.
- Real estate acquired through claim settlement is fair valued at the lower of our acquisition cost or a percentage of appraised value. The percentage applied to appraised value is based upon our historical sales experience.
- As discussed in Note 3 the derivative related to the outstanding debentures is valued using the Black-Scholes model. Remaining derivatives are valued internally, based on the present value of expected cash flows utilizing data provided by the trustees.

Fair value measurements for items measured at fair value included the following as of March 31, 2008 (in thousands):

	Fair Value Measurements	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Securities available-for-sale	$6,176,989	$324,363	$5,820,113	$ 32,513
Real estate acquired (1)	110,698	—	—	110,698
Liabilities				
Other liabilities (derivatives)	$ 20,547	$ —	$ —	$ 20,547

(1) Real estate acquired through claim settlement, which is held for sale, is reported in Other Assets on the consolidated balance sheet.

For assets and liabilities measured at fair value using significant unobservable inputs (Level 3), a reconciliation of the beginning and ending balances for the period ending March 31, 2008 is as follows (in thousands):

	Securities Available-for-Sale	Real Estate Acquired	Other Liabilities
Balance at January 1, 2008	$37,195	$145,198	$(12,132)
Total realized/unrealized gains (losses):			
Included in earnings and reported as realized investment gains (losses), net	(2,715)	—	—
Included in earnings and reported as other revenue	—	—	(3,473)
Included in earnings and reported as losses incurred, net	—	(5,587)	—
Included in other comprehensive income	(1,939)	—	—
Purchases, issuances and settlements	(28)	(28,913)	(4,942)
Transfers in/and or out of Level 3	—	—	—
Balance at March 31, 2008	$32,513	$110,698	$(20,547)
Amount of total gains (losses) included in earnings for the period attributable to the change in unrealized gains (losses) on assets still held at March 31, 2008	$ (2,715)	$ (6,588)	$ (3,473)

Note 7 — Comprehensive income

Our total comprehensive income, as calculated per SFAS No. 130, Reporting Comprehensive Income, was as follows:

	Three Months Ended March 31,	
	2008	2007
	(In thousands of dollars)	
Net (loss) income	$(34,394)	$92,363
Other comprehensive loss	(31,458)	(4,668)
Total comprehensive (loss) income	$(65,852)	$87,695
Other comprehensive (loss) income (net of tax):		
Change in unrealized gains and losses on investments	$(35,149)	$ (5,914)
Other	3,691	1,246
Other comprehensive loss	$(31,458)	$ (4,668)

At March 31, 2008, accumulated other comprehensive income of $39.2 million included $30.7 million of net unrealized gains on investments, $12.1 million relating to a foreign currency translation adjustment, ($3.2) million relating to defined benefit plans and ($0.4) million relating to the accumulated other comprehensive loss of the Company's joint venture investments, all net of tax. At December 31, 2007, accumulated other comprehensive income of $70.7 million included $65.9 million of net unrealized gains on investments, ($3.2) million relating to defined benefit plans, $8.5 million relating to foreign currency translation adjustment and ($0.5) million relating to the accumulated other comprehensive loss of the Company's joint venture investments.

Note 8 — Benefit Plans

The following table provides the components of net periodic benefit cost for the pension, supplemental executive retirement and other postretirement benefit plans:

	Three Months Ended March 31,			
	Pension and Supplemental Executive Retirement Plans		Other Postretirement Benefits	
	2008	2007	2008	2007
	(In thousands of dollars)			
Service cost	$ 2,036	$ 2,504	$ 888	$ 890
Interest cost	3,332	3,016	1,179	1,112
Expected return on plan assets	(4,805)	(4,370)	(941)	(804)
Recognized net actuarial loss	114	63	—	26
Amortization of transition obligation	—	—	71	71
Amortization of prior service cost	171	141	—	—
Net periodic benefit cost	$ 848	$ 1,354	$ 1,197	$ 1,295

We previously disclosed in its financial statements for the year ended December 31, 2007 that we expected to contribute approximately $9.3 million and $3.0 million, respectively, to our pension and postretirement plans in 2008. As of March 31, 2008, none of these contributions have been made, but we expect to make these contributions in 2008.

Note 9 – Shareholders' equity

In March 2008 we completed the public offering and sale of 42,933,333 shares of our common stock at a price of $11.25 per share. We received net proceeds of approximately $461 million, after deducting underwriting discount and estimated offering expenses. The number of shares and proceeds reflect the exercise in full of the underwriters' option to purchase additional shares of common stock. Of the 42.9 million shares of common stock sold, 7.1 million were newly issued shares and 35.8 million were common shares issued out of treasury. The cost of the treasury shares issued exceeded the proceeds from the sale by approximately $1.6 billion, which resulted in a deficiency. The deficiency was

charged to paid in capital related to previous treasury share transactions, and the remainder was charged to retained earnings.

The net proceeds of the offering were used to increase the capital of MGIC, our principal insurance subsidiary, in order to enable us to expand the volume of our new business and will also be used for our general corporate purposes.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Through our subsidiary MGIC, we are the leading provider of private mortgage insurance in the United States to the home mortgage lending industry. Our principal products are primary mortgage insurance and pool mortgage insurance. Primary mortgage insurance may be written through the flow market channel, in which loans are insured in individual, loan-by-loan transactions. Primary mortgage insurance may also be written through the bulk market channel, in which portfolios of loans are individually insured in single, bulk transactions.

As used below, "we" and "our" refer to MGIC Investment Corporation's consolidated operations. The discussion below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2007. We refer to this Discussion as the "10-K MD&A." The discussion of our business in this document generally does not apply to our international operations which began in 2007, are conducted only in Australia and are immaterial. The results of our operations in Australia are included in the consolidated results disclosed.

General Business Environment

Please refer to our Annual Report on Form 10-K for the year ended December 31, 2007 for our discussion of the general business environment. There have been no material changes to that discussion.

Factors Affecting Our Results

Our results of operations are affected by:

- Premiums written and earned

  Premiums written and earned in a year are influenced by:

  - New insurance written, which increases the size of the in force book of insurance, is the aggregate principal amount of the mortgages that are insured during a period. Many factors affect new insurance written, including the volume of low down payment home mortgage originations and competition to provide credit enhancement on those mortgages, including competition from other mortgage insurers and alternatives to mortgage insurance.
  - Cancellations, which reduce the size of the in force book of insurance that generates premiums. Cancellations due to refinancings are affected by the

level of current mortgage interest rates compared to the mortgage coupon rates throughout the in force book, as well as by current home values compared to values when the loans in the in force book became insured.

- Premium rates, which are affected by the risk characteristics of the loans insured and the percentage of coverage on the loans.
- Premiums ceded to reinsurance subsidiaries of certain mortgage lenders ("captives") and risk sharing arrangements with the GSEs.

Premiums are generated by the insurance that is in force during all or a portion of the period. Hence, changes in the average insurance in force in the current period compared to an earlier period is a factor that will increase (when the average in force is higher) or reduce (when it is lower) premiums written and earned in the current period, although this effect may be enhanced (or mitigated) by differences in the average premium rate between the two periods as well as by premiums that are ceded to captives. Also, new insurance written and cancellations during a period will generally have a greater effect on premiums written and earned in subsequent periods than in the period in which these events occur.

- Investment income

Our investment portfolio is comprised almost entirely of fixed income securities rated "A" or higher. The principal factors that influence investment income are the size of the portfolio and its yield. As measured by amortized cost (which excludes changes in fair market value, such as from changes in interest rates), the size of the investment portfolio is mainly a function of cash generated from (or used in) operations, such as investment earnings and claim payments, less cash used for non-operating activities, such as share repurchases. Realized gains and losses are a function of the difference between the amount received on sale of a security and the security's amortized cost. The amount received on sale of fixed income securities is affected by the coupon rate of the security compared to the yield of comparable securities at the time of sale.

- Losses incurred

Losses incurred are the current expense that reflects estimated payments that will ultimately be made as a result of delinquencies on insured loans. As explained under "Critical Accounting Policies," in the 10-K MD&A, except in the case of premium deficiency reserves, we recognize an estimate of this expense only for delinquent loans. Losses incurred are generally affected by:

- The state of the economy and housing values, each of which affects the likelihood that loans will become delinquent and whether loans that are delinquent cure their delinquency. The level of delinquencies has historically followed a seasonal pattern, with a reduction in delinquencies in the first part of the year, followed by an increase in the latter part of the year. However, although this pattern has continued, the default inventory has increased each quarter since the second quarter of 2007 because the seasonal pattern has been more than offset by the development of the 2006 and 2007 books of business.

- The product mix of the in force book, with loans having higher risk characteristics generally resulting in higher delinquencies and claims.
- The size of loans insured. Higher average loan amounts tend to increase losses incurred.
- The percentage of coverage on insured loans. Deeper average coverage tends to increase incurred losses.
- Changes in housing values, which affect our ability to mitigate our losses through sales of properties with delinquent mortgages.
- The distribution of claims over the life of a book. Historically, the first two years after a loan is originated are a period of relatively low claims, with claims increasing substantially for several years subsequent and then declining, although persistency, the condition of the economy and other factors can affect this pattern.

- Changes in premium deficiency reserves

Each quarter, we recalculate the premium deficiency reserve on the remaining Wall Street bulk insurance in force. The premium deficiency reserve primarily changes from quarter to quarter as a result of two factors. First, it changes as the actual premiums, losses and expenses that were previously estimated are recognized. Each period such items are reflected in our financial statements as earned premium, losses incurred and expenses. The difference between the amount and timing of actual earned premiums, losses incurred and expenses and our previous estimates used to establish the premium deficiency reserves has an effect (either positive or negative) on that period's results. Second, the premium deficiency reserve changes as our assumptions relating to the present value of expected future premiums, losses and expenses on the remaining Wall Street bulk insurance in force change. Changes to these assumptions also have an effect on that period's results.

- Underwriting and other expenses

The majority of our operating expenses are fixed, with some variability due to contract underwriting volume. Contract underwriting generates fee income included in "Other revenue."

- Income (loss) from joint ventures

Our results of operations are also affected by the results of our joint ventures, which are accounted for under the equity method. Historically, joint venture income principally consisted of the aggregate results of our investment in two less than majority owned joint ventures, Credit-Based Asset Servicing and Securitization LLC, C-BASS, and Sherman Financial Group LLC. In 2007, joint venture losses included an impairment charge equal to our entire equity interest in C-BASS, as well as equity losses incurred by C-BASS in the fourth quarter that reduced the carrying value of our $50 million note

from C-BASS to zero. As a result, beginning in the first quarter of 2008, our joint venture income principally consists of income from Sherman.

We are currently negotiating a transaction with Sherman under which Sherman could acquire our entire interest in Sherman. There can be no assurances that we will enter into a definitive agreement on this sale of interest to Sherman or if we do that the transaction will close.

Sherman: Sherman is principally engaged in purchasing and collecting for its own account delinquent consumer receivables, which are primarily unsecured, and in originating and servicing subprime credit card receivables. The borrowings used to finance these activities are included in Sherman's balance sheet. During the second and third quarters of 2007 Sherman acquired several portfolios of performing subprime second mortgages for an approximate aggregate purchase price of $415 million.

Sherman's consolidated results of operations are primarily affected by:

- Revenues from delinquent receivable portfolios

  These revenues are the cash collections on the portfolios, and depend on the aggregate amount of delinquent receivables owned by Sherman, the type of receivable and the length of time that the receivable has been owned by Sherman.

- Amortization of delinquent receivable portfolios

  Amortization is the recovery of the cost to purchase the receivable portfolios. Amortization expense is a function of estimated collections from the portfolios over their estimated lives. If estimated collections cannot be reasonably predicted, cost is fully recovered before any net revenue, calculated as the difference between revenues from a receivable portfolio and that portfolio's amortization, is recognized.

- Credit card interest and fees, along with the related provision for losses for uncollectible amounts.

- Costs of collection, which include servicing fees paid to third parties to collect receivables.

C-BASS: In 2007, C-BASS ceased its operations and is managing its portfolio pursuant to a consensual, non-bankruptcy restructuring, under which its assets are to be paid out over time to its secured and unsecured creditors.

Mortgage Insurance Earnings and Cash Flow Cycle

In our industry, a "book" is the group of loans that a mortgage insurer insures in a particular calendar year. In general, the majority of any underwriting profit (premium

revenue minus losses) that a book generates occurs in the early years of the book, with the largest portion of any underwriting profit realized in the first year. Subsequent years of a book generally result in modest underwriting profit or underwriting losses. This pattern of results typically occurs because relatively few of the claims that a book will ultimately experience typically occur in the first few years of the book, when premium revenue is highest, while subsequent years are affected by declining premium revenues, as persistency decreases (primarily due to loan prepayments), and losses increase.

We expect our 2008 book will be smaller, perhaps materially, than the average books we have written during the past three years. The portion of the 2005 book that we wrote in the second half of 2005 and the 2006 and 2007 books have generated delinquencies and incurred losses that are materially higher than previous books we have written since the mid-1990s at comparable times in the lives of those books. At this point, we cannot determine whether the losses on the portion of the 2005 book that we wrote in the second half of 2005 and the 2006 and 2007 books will ultimately follow the typical loss pattern or if this early loss development represents an acceleration to some extent of the total losses that they will ultimately generate. Regardless of ultimate claim pattern of these full or half-year books, we expect they will generate material incurred and paid losses in 2008 and that given their size and the lower new insurance written we expect in 2008, they will materially negatively affect our 2008 results.

2008 First Quarter Results

Our results of operations in the first quarter of 2008 were principally affected by:

- Premiums written and earned

Premiums written and earned during the first quarter of 2008 increased compared to the same period in 2007. The average insurance in force was higher in 2008 than in 2007, but the effect of the higher in force has been somewhat offset by lower average premium yields due to a higher proportion of insurance in force that was written through the flow channel in 2008, compared to 2007.

- Investment income

Investment income in the first quarter of 2008 was higher when compared to the same period in 2007 due to an increase in the average amortized cost of invested assets, offset by a decrease in the pre-tax yield.

- Losses incurred

Losses incurred for the first quarter of 2008 significantly increased compared to the same period in 2007 primarily due to increases in the default inventory and estimates regarding how many delinquencies will result in a claim, or claim rate, and how much will be paid on claims, or severity, when each of these items is compared to the same

period in 2007. The default inventory increased by approximately 6,500 delinquencies in the first quarter of 2008, compared to a decrease of approximately 2,500 in the first quarter of 2007. The increase in estimated severity was primarily the result of the default inventory containing higher loan exposures with expected higher average claim payments as well as our inability to mitigate losses through the sale of properties due to slowing home price appreciation or home price declines in some areas. The increase in the estimated claim rate was due to recent increases in the claim rates across the country. Certain markets such as California, Florida, Nevada and Arizona have experienced more significant increases in claim rates.

- Premium deficiency

During the first quarter of 2008 the premium deficiency reserve on Wall Street bulk transactions declined by $264 million from $1,211 million, as of December 31, 2007, to $947 million as of March 31, 2008. The $947 million premium deficiency reserve as of March 31, 2008 reflects the present value of expected future losses and expenses that exceeded the present value of expected future premium and already established loss reserves.

- Underwriting and other expenses

Underwriting and other expenses for the first quarter of 2008 increased when compared to the same period in 2007. Underwriting and other expenses for the first quarter of 2008 included $3.3 million of one-time consulting fees associated with the common stock offering and private placement of the junior subordinated convertible debentures.

- Income from joint ventures

Income from joint ventures decreased in the first quarter of 2008 compared to the same period in 2007. This decrease was primarily due to a decrease in equity earnings from Sherman, resulting from lower earnings from Sherman and a decrease in our ownership percentage from approximately 41% during the first quarter of 2007 to approximately 24% during the first quarter of 2008.

Results of Consolidated Operations

As discussed under “Forward Looking Statements and Risk Factors” below, actual results may differ materially from the results contemplated by forward looking statements. We are not undertaking any obligation to update any forward looking statements or other statements we may make in the following discussion or elsewhere in this document even though these statements may be affected by events or circumstances occurring after the forward looking statements or other statements were made. Therefore no reader of this document should rely on these statements being accurate as of any time other than the time at which this document was filed with the Securities and Exchange Commission.

New insurance written

The amount of our primary new insurance written during the three months ended March 31, 2008 and 2007 was as follows:

	Three Months Ended March 31,	
	2008	2007
	($ billions)	
NIW — Flow Channel	$ 18.1	$ 10.4
NIW — Bulk Channel	1.0	2.3
Total Primary NIW	$ 19.1	$ 12.7
Refinance volume as a % of primary flow NIW	35%	27%

The increase in new insurance written on a flow basis in the first quarter of 2008, compared to the same period in 2007, was primarily due to decreased interest in alternatives to mortgage insurance, which we believe was affected by slowing property appreciation and, in some markets, declines in property values, along with changes in interest rates. For a discussion of new insurance written through the bulk channel, see “Bulk transactions” below.

Despite the increased volume of new insurance written in the first quarter, we anticipate our flow new insurance written for the full year 2008 to be significantly below the level written in 2007, due to changes in our underwriting guidelines discussed below. Our level of new insurance written could also be affected by other items, as noted in our Risk Factors, which are an integral part of this Management’s Discussion and Analysis.

As we have disclosed for some time in our Risk Factors the percentage of our volume written on a flow basis that includes segments we view as having a higher probability of claim continued to increase through 2007. In particular, the percentage of our flow new insurance written with loan-to-value ratios greater than 95% grew to 42% in 2007, compared to 34% in 2006. For the first quarter of 2008 the percentage of our

flow new insurance written with loan-to-value ratios greater than 95% declined to 30%, compared to 40% for the same period a year ago.

We have implemented a series of changes to our underwriting guidelines that are designed to improve the credit risk profile of our new insurance written. The changes will primarily affect borrowers who have multiple risk factors such as a high loan-to-value ratio, a lower FICO score and limited documentation or are financing a home in a market we categorize as higher risk. We have also implemented premium rate increases. Several of these underwriting changes went into effect for loans submitted to us beginning on January 14, 2008, the remainder, along with the premium rate changes, were effective for loans submitted to us beginning on March 3, 2008.

Cancellations and insurance in force

New insurance written and cancellations of primary insurance in force during the three months ended March 31, 2008 and 2007 were as follows:

	Three Months Ended March 31,	
	2008	2007
	($ billions)	
NIW	$ 19.1	$ 12.7
Cancellations	(9.4)	(10.9)
Change in primary insurance in force	$ 9.7	$ 1.8
Direct primary insurance in force as of March 31,	$ 221.4	$ 178.3

As shown in the table above, in the first quarter of 2008, insurance in force increased $9.7 billion. This was the eighth consecutive quarter of growth, which was preceded by a period of 13 consecutive quarters, during 2003 through the first quarter of 2006, in which our insurance in force declined.

Cancellation activity has historically been affected by the level of mortgage interest rates and the level of home price appreciation. Cancellations generally move inversely to the change in the direction of interest rates, although they generally lag a change in direction. Our persistency rate (percentage of insurance remaining in force from one year prior) was 77.5% at March 31, 2008, an increase from 76.4% at December 31, 2007 and 70.3% at March 31, 2007. These persistency rate improvements reflect the more restrictive credit policies of lenders, as well as the declining rate of home price appreciation in some markets and declines in housing values in other markets.

Bulk transactions

Historically, our writings of bulk insurance have been, in part, sensitive to the volume of home equity securitization transactions and more recently to purchases by the GSEs of loans having higher credit risk than their standard business. Our writings of bulk insurance have been, in part, also sensitive to competition from other methods of providing credit enhancement in a home equity securitization, including an execution in which the subordinate tranches in the securitization rather than mortgage insurance bear the first loss from mortgage defaults. The competitiveness of the mortgage insurance execution in the bulk channel has also been impacted by changes in our view of the risk of the business, which is affected by the historical performance of previously insured pools and our expectations regarding likely changes in regional and local real estate values. As a result of the sensitivities discussed above, bulk volume has varied materially from period to period.

New insurance written for bulk transactions was $1.0 billion in the first quarter of 2008 compared to $2.3 billion in the same period in 2007. The decrease in bulk writings was primarily due to our decision in the fourth quarter of 2007 to stop insuring Wall Street bulk transactions. The majority of the bulk business in the first quarter of 2008 was lender paid transactions that included high quality prime loans and the remainder was bulk business with the GSEs, which also included prime loans. We expect new insurance written for bulk transactions in 2008 and forward to be significantly lower than the $16.0 billion average volume written through the bulk channel during the last three years. Wall Street bulk transactions represented approximately 41%, 66% and 89% of our new insurance written for bulk transactions during 2007, 2006 and 2005, respectively, and at March 31, 2008 included approximately 137,000 loans with insurance in force of approximately $23.3 billion and risk in force of approximately $6.9 billion, which is approximately 71% of our bulk risk in force.

Pool insurance

In addition to providing primary insurance coverage, we also insure pools of mortgage loans. New pool risk written during the three months ended March 31, 2008 and 2007 was $57 million and $39 million, respectively. Our direct pool risk in force was $2.7 billion, $2.8 billion and $3.0 billion at March 31, 2008, December 31, 2007 and March 31, 2007, respectively. These risk amounts represent pools of loans with contractual aggregate loss limits and in some cases those without these limits. For pools of loans without these limits, risk is estimated based on the amount that would credit enhance the loans in the pool to a “AA” level based on a rating agency model. Under this model, at March 31, 2008, December 31, 2007 and March 31, 2007, for $4.0 billion, $4.1 billion and $4.4 billion, respectively, of risk without these limits, risk in force is calculated at $475 million, $475 million and $473 million, respectively.

Net premiums written and earned

Net premiums written and earned during the first quarter of 2008 increased compared to the same period in 2007. The average insurance in force continued to increase, but was partially offset by lower average premium yields due to a higher proportion of insurance in force that was written through the flow channel compared to

2007. We expect our average insurance in force to continue to be higher in 2008, compared to 2007, with our insurance in force balance to begin to stabilize through the remainder of 2008. We believe the anticipated decrease in the total mortgage origination market will be partially offset by our expectation that private mortgage insurance will be used on a greater percentage of mortgage originations, although mortgage insurance penetration could be negatively impacted by usage of FHA insurance programs.

Despite our premium rate increases, we expect our premium yields to continue to be lower in 2008, compared to 2007, due to the fact that we are no longer insuring Wall Street Bulk transactions and, as a result of our underwriting changes, we will be insuring fewer loans with loan-to-value ratios greater than 95%, loans classified as A-minus and reduced documentation loans, which carry higher premium rates.

Risk sharing arrangements

For the three months ended December 31, 2007, approximately 47.6% of our flow new insurance written was subject to arrangements with captives or risk sharing arrangements with the GSEs compared to 47.7% for the year ended December 31, 2007 and 45.6% for the three months ended March 31, 2007. The percentage of new insurance written covered by these arrangements is shown only for the periods ended December 31, 2007 because this percentage normally increases after the end of a quarter. Such increases can be caused by, among other things, the transfer of a loan in the secondary market, which can result in a mortgage insured during a quarter becoming part of a risk sharing arrangement in a subsequent quarter. New insurance written through the bulk channel is not subject to risk sharing arrangements. Premiums ceded in these arrangements are reported in the period in which they are ceded regardless of when the mortgage was insured.

On February 14, 2008 Freddie Mac announced that effective on and after June 1, 2008, Freddie Mac-approved private mortgage insurers, including MGIC, may not cede new risk if the gross risk or gross premium ceded to captive reinsurers is greater than 25%. Freddie Mac stated that it made this change to allow mortgage insurers to retain more insurance premiums to pay current claims and rebuild their capital bases. Fannie Mae informed us on February 26, 2008 that it was making similar changes to its requirements. We have continued discussions with our customers whose captive arrangements would be affected by these new requirements.

A number of lenders have recently either terminated their captive arrangements with us or placed them into run-off. Together, they represented 14.6% of our flow new insurance written that was subject to captive arrangements in 2007.

See discussion under “-Losses” regarding losses assumed by captives.

Investment income

Investment income for the first quarter of 2008 increased when compared to the same period in 2007 due to an increase in the average amortized cost of invested assets, offset by a decrease in the average investment yield. The portfolio’s average pre-tax investment yield was 4.28% at March 31, 2008 and 4.54% at March 31, 2007.

The portfolio's average after-tax investment yield was 3.77% at March 31, 2008 and 4.06% at March 31, 2007.

Other revenue

Other revenue for the first quarter of 2008 decreased when compared to the same period in 2007. The decrease in other revenue was primarily the result of other non-insurance operations.

Losses

As discussed in "—Critical Accounting Policies" in the 10-K MD&A, and consistent with industry practices, we establish loss reserves for future claims only for loans that are currently delinquent. The terms "delinquent" and "default" are used interchangeably by us and are defined as an insured loan with a mortgage payment that is 45 days or more past due. Loss reserves are established by our estimate of the number of loans in our inventory of delinquent loans that will not cure their delinquency and thus result in a claim, which is referred to as the claim rate (historically, a substantial majority of delinquent loans have eventually cured, see discussion below regarding the current increase in the rate at which delinquent loans go to claim), and further estimating the amount that we will pay in claims on the loans that do not cure, which is referred to as claim severity. Estimation of losses that we will pay in the future is inherently judgmental. The conditions that affect the claim rate and claim severity include the current and future state of the domestic economy and the current and future strength of local housing markets. Current conditions in the housing and mortgage industries make these assumptions more volatile than they would otherwise be.

Losses incurred

Losses incurred for the first quarter of 2008 significantly increased compared to the same period in 2007 primarily due to increases in the default inventory and estimates regarding how many delinquencies will result in a claim, or claim rate, and how much will be paid on claims, or severity, when each of these items is compared to the same period in 2007. The default inventory increased by approximately 6,500 delinquencies in the first quarter of 2008, compared to a decrease of approximately 2,500 in the first quarter of 2007.

Our loss estimates are established based upon historical experience. The increase in estimated severity in the first quarter of 2008 was primarily the result of the default inventory containing higher loan exposures with expected higher average claim payments as well as our inability to mitigate losses through the sale of properties in some geographical areas due to slowing home price appreciation or declines in home values. We continue to experience increases in delinquencies in certain markets with higher than average loan balances, such as Florida and California. In California we have experienced an increase in delinquencies, from 6,900 as of December 31, 2007 to 8,500 as of March 31, 2008. Our Florida delinquencies increased from 12,500 as of December 31, 2007 to 15,600 as of March 31, 2008. The average claim paid on

California loans was more than twice as high as the average claim paid for the remainder of the country. The increase in the estimated claim rate is due to increases in the claim rates across the country. Certain markets such as California, Florida, Nevada and Arizona have experienced more significant increases in claim rates.

We believe that these trends will continue throughout 2008, resulting in a higher level of incurred losses in 2008, compared to 2007.

As discussed under "—Risk Sharing Arrangements" a portion of our flow new insurance written is subject to reinsurance arrangements with captives. The majority of these reinsurance arrangements are aggregate excess of loss reinsurance agreements, and the remainder are quota share agreements. Under the aggregate excess of loss agreements, we are responsible for the first aggregate layer of loss, which is typically 4% or 5%, the captives are responsible for the second aggregate layer of loss, which is typically 5% or 10%, and we are responsible for any remaining loss. The layers are typically expressed as a percentage of the original risk on an annual book of business reinsured by the captive. The premium cessions on these agreements typically range from 25% to 40% of the direct premium. Under a quota share arrangement premiums and losses are shared on a pro-rata basis between us and the captives, with the captives' portion of both premiums and losses typically ranging from 25% to 50%. As noted under "—Risk Sharing Arrangements" based on changes to the GSE requirements, beginning June 1, 2008 our captive arrangements, both aggregate excess of loss and quota share, will be limited to a 25% cede rate.

Under these agreements the captives are required to maintain a separate trust account, of which we are the sole beneficiary. Premiums ceded to a captive are deposited in the applicable trust account to support the captive's layer of insured risk. These amounts are held in the trust account and are available to pay reinsured losses. The captive's ultimate liability is limited to the assets in the trust account. When specific time periods are met and the individual trust account balance has reached a required level, then the individual captive may make authorized withdrawals from its applicable trust account The total fair value of the trust fund assets under these agreements at March 31, 2008 exceeded $680 million.

In the first quarter of 2008 the captive arrangements reduced our losses incurred by approximately $58 million. We anticipate that the reduction in losses incurred will continue at this level or higher in the second quarter of 2008.

Information about the composition of the primary insurance default inventory at March 31, 2008, December 31, 2007 and March 31, 2007 appears in the table below.

	March 31, 2008	December 31, 2007	March 31, 2007
Total loans delinquent (1)	113,589	107,120	76,122
Percentage of loans delinquent (default rate)	7.68%	7.45%	5.92%
Prime loans delinquent (2)	52,571	49,333	35,436
Percentage of prime loans delinquent (default rate)	4.44%	4.33%	3.56%
A-minus loans delinquent (2)	22,748	22,863	17,047
Percentage of A-minus loans delinquent (default rate)	19.22%	19.20%	15.77%
Subprime credit loans delinquent (2)	12,267	12,915	11,246
Percentage of subprime credit loans delinquent (default rate)	34.33%	34.08%	25.86%
Reduced documentation loans delinquent	26,003	22,009	12,393
Percentage of reduced doc loans delinquent (default rate)	18.54%	15.48%	8.92%

(1) At March 31, 2008 and December 31, 2007, 40,200 and 39,704 loans in default, respectively, related to Wall Street bulk transactions.

(2) We define prime loans as those having FICO credit scores of 620 or greater, A-minus loans as those having FICO credit scores of 575-619, and subprime credit loans as those having FICO credit scores of less than 575, all as reported to us at the time a commitment to insure is issued. Most A-minus and subprime credit loans were written through the bulk channel.

In April 2008 a large servicer changed their methodology for reporting delinquencies to us and the industry for loans greater than 12 months old. Under the new methodology this servicer is now reporting delinquencies to us sooner than they had historically and is now reporting consistent with substantially all other servicers. As a result of this change the servicer reported approximately 3,500 more delinquencies and 380 fewer cures to us in April; the net increase represents approximately 19% of all delinquent loans they reported to us and 3% of total delinquencies reported to us from all servicers. Because our reserves for estimated losses include loans that are delinquent but not yet reported to us by servicers within our incurred but not reported, or IBNR reserves, this change by the servicer does not have any effect on our overall loss reserves.

The pool notice inventory increased from 25,224 at December 31, 2007 to 25,638 at March 31, 2008; the pool notice inventory was 20,665 at March 31, 2007.

The average primary claim paid for the first quarter of 2008 was $51,193 compared to $30,841 for the same period in 2007. We expect the average primary claim paid to continue to increase in 2008 and beyond. We expect these increases will be driven by our higher average insured loan sizes as well as decreases in our ability to mitigate losses through the sale of properties in some geographical regions, as certain housing markets, like California and Florida, become less favorable.

The average claim paid for the top 5 states (based on 2008 losses paid) for the three months ended March 31, 2008 and 2007 appears in the table below.

Average claim paid for the top 5 states ($ thousands)

	Three months ended March 31, 2008	2007
California	$115,917	$61,326
Florida	70,398	31,373
Michigan	37,158	33,171
Ohio	34,521	30,828
Minnesota	60,542	48,269
Other states	42,464	28,974
All states	$ 51,193	$30,841

The average loan size of our insurance in force at March 31, 2008, December 31, 2007 and March 31, 2007 appears in the table below.

Average loan size	March 31, 2008	December 31, 2007	March 31, 2007
Total insurance in force	$149,794	$147,308	$138,736
Prime (FICO 620 & >)	145,050	141,690	131,070
A-Minus (FICO 575-619)	133,890	133,460	129,720
Subprime (FICO < 575)	123,570	124,530	126,290
Reduced doc (All FICOs)	209,540	209,990	204,580

The average loan size of our insurance in force at March 31, 2008, December 31, 2007 and March 31, 2007 for the top 5 states (based on 2008 losses paid) appears in the table below.

Average loan size	March 31, 2008	December 31, 2007	March 31, 2007
California	$293,421	$291,578	$278,618
Florida	179,574	178,063	166,984
Michigan	120,025	119,428	117,372
Ohio	114,149	113,276	110,546
Minnesota	158,133	156,954	151,592
All other states	144,618	142,076	132,959

Information about net losses paid during the three months ended March 31, 2008 and 2007 appears in the table below.

Net paid claims ($ millions)	Three months ended March 31, 2008	2007
Prime (FICO 620 & >)	$ 137	$ 67
A-Minus (FICO 575-619)	68	34
Subprime (FICO < 575)	39	19
Reduced doc (All FICOs)	107	26
Other	20	20
	$ 371	$ 166

Primary losses paid for the top 15 states (based on 2008 losses paid) and all other states for the three months ended March 31, 2008 and 2007 appear in the table below.

Paid claims by state ($ millions)	Three months ended March 31, 2008	2007
California	$ 82.0	$ 3.9
Florida	30.0	2.0
Michigan	28.9	21.0
Ohio	18.3	18.6
Minnesota	14.5	7.2
Texas	14.4	14.2
Georgia	14.2	8.3
Arizona	12.7	0.1
Illinois	12.6	6.5
Colorado	10.5	7.2
Nevada	10.4	1.0
Massachusetts	8.8	2.5
Indiana	7.6	8.0
Virginia	6.6	1.2
New York	6.4	2.4
Other states	73.1	41.9
	351.0	146.0
Other (Pool, LAE, other)	20.0	20.0
	$ 371.0	$ 166.0

The default inventory in those same states at March 31, 2008, December 31, 2007 and March 31, 2007 appears in the table below.

Default inventory by state

	March 31, 2008	December 31, 2007	March 31, 2007
California	8,479	6,925	3,447
Florida	15,626	12,548	5,000
Michigan	7,166	7,304	6,220
Ohio	6,701	6,901	6,022
Minnesota	2,605	2,478	1,834
Texas	6,789	7,103	5,847
Georgia	4,726	4,623	3,281
Arizona	2,796	2,170	907
Illinois	5,597	5,435	3,889
Colorado	1,632	1,534	1,328
Nevada	1,762	1,338	599
Massachusetts	1,730	1,596	1,124
Indiana	3,711	3,763	3,125
Virginia	2,025	1,760	1,021
New York	3,206	3,155	2,451
Other states	39,038	38,487	30,027
	113,589	107,120	76,122

We anticipate that net paid claims for the full year 2008 will approximate $1.8 billion to $2.0 billion.

As of March 31, 2008, 74% of our primary insurance in force was written subsequent to December 31, 2004. On our flow business, the highest claim frequency years have typically been the third and fourth year after the year of loan origination. However, the pattern of claims frequency can be affected by many factors, including low persistency and deteriorating economic conditions. Low persistency can have the effect of accelerating the period in the life of a book during which the highest claim frequency occurs. Deteriorating economic conditions can result in increasing claims following a period of declining claims. On our bulk business, the period of highest claims frequency has generally occurred earlier than in the historical pattern on our flow business.

Premium deficiency

During the first quarter of 2008 the premium deficiency reserve on Wall Street bulk transactions declined by $264 million from $1,211 million, as of December 31, 2007, to $947 million as of March 31, 2008. The $947 million premium deficiency reserve as of March 31, 2008 reflects the present value of expected future losses and expenses that exceeded the present value of expected future premium and already established loss reserves. Within the premium deficiency calculation, our expected present value of expected future paid losses and expenses was $3,397 million, offset by the present value of expected future premium of $874 million and already established loss reserves

of $1,576 million. The premium deficiency reserves as of December 31, 2007 reflected expected present value of expected future paid losses and expenses of $3,561 million, offset by the present value of expected future premium of $901 million and already established loss reserves of $1,449 million. As of March 31, 2008 there was no premium deficiency related to the remainder of our in force business.

The change in premium deficiency reserve from December 31, 2007 to March 31, 2008 appears in the table below.

($ millions)

	At December 31, 2007	At March 31, 2008	Increase (decrease) in deficiency
Present value of expected future premium	$ 901	$ 874	$ 27
Present value of expected future paid losses and expenses	(3,561)	(3,397)	(164)
Net present value of future cash flows	(2,660)	(2,523)	(137)
Established loss and lae reserves	1,449	1,576	(127)
Net deficiency	$ (1,211)	$ (947)	$ (264)

Each quarter, we recalculate the premium deficiency reserve on the remaining Wall Street bulk insurance in force. The premium deficiency reserve primarily changes from quarter to quarter as a result of two factors. First, it changes as the actual premiums, losses and expenses that were previously estimated are recognized. Each period such items are reflected in our financial statements as earned premium, losses incurred and expenses. The difference between the amount and timing of actual earned premiums, losses incurred and expenses and our previous estimates used to establish the premium deficiency reserves has an effect (either positive or negative) on that period's results. Second, the premium deficiency reserve changes as our assumptions relating to the present value of expected future premiums, losses and expenses on the remaining Wall Street bulk insurance in force change. Changes to these assumptions also have an effect on that period's results. During the first quarter of 2008 there were no significant changes to the assumptions used in calculating the premium deficiency reserve, when compared to December 31, 2007.

The calculation of premium deficiency reserves requires the use of significant judgments and estimates to determine the present value of future premium and present value of expected losses and expenses on our business. The present value of future premium relies on, among other things, assumptions about persistency and repayment patterns on underlying loans. The present value of expected losses and expenses depends on assumptions relating to severity of claims and claim rates on current defaults, and expected defaults in future periods. Assumptions used in calculating the deficiency reserves can be affected by volatility in the current housing and mortgage lending industries. To the extent premium patterns and actual loss experience differ from the assumptions used in calculating the premium deficiency reserves, the differences between the actual results and our estimate will affect future period earnings.

Underwriting and other expenses

Underwriting and other expenses for the first quarter of 2008 increased when compared to the same period in 2007. Underwriting and other expenses for the first quarter of 2008 included $3.3 million of one-time consulting fees associated with the common stock offering and private placement of the junior subordinated convertible debentures.

Ratios

The table below presents our loss, expense and combined ratios for our combined insurance operations for the three months ended March 31, 2008 and 2007.

	Three months ended March 31,	
Combined Insurance Operations:	2008	2007
Loss ratio	200.2%	60.8%
Expense ratio	16.0%	17.8%
Combined ratio	216.2%	78.6%

The loss ratio is the ratio, expressed as a percentage, of the sum of incurred losses and loss adjustment expenses to net premiums earned. The increase in the loss ratio in the first quarter of 2008, compared to the same period in 2007, is due to an increase in losses incurred, partially offset by an increase in premiums earned. The expense ratio is the ratio, expressed as a percentage, of underwriting expenses to net premiums written. The decrease in the first quarter of 2008, compared to the same period in 2007, is due to an increase in premiums written, partially offset by the increase in underwriting and other expenses. The combined ratio is the sum of the loss ratio and the expense ratio.

Income taxes

The effective tax rate on our pre-tax loss was 51.7% in the first quarter of 2008, compared to an effective tax rate on our pre-tax income of 23.1% in the first quarter of 2007. During those periods, the rate reflected the benefits recognized from tax-preferenced investments. Our tax-preferenced investments that impact the effective tax rate consist almost entirely of tax-exempt municipal bonds. The difference in the rate was primarily the result of a pre-tax loss during the first quarter of 2008, compared to pre-tax income during the first quarter of 2007.

Joint ventures

Our equity in the earnings from Sherman and C-BASS and certain other joint ventures and investments, accounted for in accordance with the equity method of accounting, is shown separately, net of tax, on our consolidated statement of

operations. Income from joint ventures decreased in the first quarter of 2008 compared to the same period in 2007. This decrease was primarily due to a decrease in equity earnings from Sherman, resulting from lower earnings from Sherman and a decrease in our ownership percentage from approximately 41% during the first quarter of 2007 to approximately 24% during the first quarter of 2008.

C-BASS

Beginning in February 2007 and continuing through approximately the end of March 2007, the subprime mortgage market experienced significant turmoil. After a period of relative stability that persisted during April, May and through approximately late June, market dislocations recurred and then accelerated to unprecedented levels beginning in approximately mid-July 2007. As noted in the section titled “C-BASS Impairment” in our 10-K MD&A, in the third quarter of 2007, we concluded that our total equity interest in C-BASS was impaired. In addition, during the fourth quarter of 2007 due to additional losses incurred by C-BASS, we reduced the carrying value of our $50 million note from C-BASS to zero under equity method accounting.

Sherman

Summary Sherman income statements for the periods indicated appear below. We do not consolidate Sherman with us for financial reporting purposes, and we do not control Sherman. Sherman’s internal controls over its financial reporting are not part of our internal controls over our financial reporting. However, our internal controls over our financial reporting include processes to assess the effectiveness of our financial reporting as it pertains to Sherman. We believe those processes are effective in the context of our overall internal controls.

Sherman Summary Income Statement:

	Three months ended March 31, 2008	2007
	($ millions)	
Revenues from receivable portfolios	$ 289.8	$ 267.1
Portfolio amortization	123.3	122.1
Revenues, net of amortization	166.5	145.0
Credit card interest income and fees	217.5	132.5
Other revenue	17.9	7.8
Total revenues	401.9	285.3
Total expenses	336.3	203.1
Income before tax	$ 65.6	$ 82.2
Company's income from Sherman	$ 13.8	$ 27.7

In the first quarter of 2008, compared to the same period in 2007, Sherman experienced increased collection revenues from portfolios owned and continued growth in the banking segment. These increases were offset by higher loan loss provisions, interest expense and operating expenses related to growth in the banking segment.

In September 2007 we sold a portion of our interest in Sherman to an entity owned by Sherman's senior management. The interest sold by us represented approximately 16% of Sherman's equity. We received a cash payment of $240.8 million in the sale and are entitled to a contingent payment if the management entity's after-tax return on the interests it purchased exceeds approximately 16% annually over a period that can end as late as December 31, 2013. We recorded a $162.9 million pre-tax gain on this sale, which is reflected in our results of operations for 2007 as a realized gain. After the sale, we own approximately 24.25% of Sherman's interest and Sherman's management owns approximately 54.0%. Radian, which also sold interests in Sherman to the management entity, owns the balance of Sherman. We will continue to account for this investment under the equity method of accounting.

The "Company's income from Sherman" line item in the table above includes $1.7 million and $5.4 million of additional amortization expense the first three months of 2008 and 2007, respectively, above Sherman's actual amortization expense, related to additional interests in Sherman that we purchased during the third quarter of 2006 at a price in excess of book value. As noted above, after the sale of equity interest in September 2007 we now own approximately 24.25% interest in Sherman, which is the lowest interest held since the original investment.

We are currently negotiating a transaction with Sherman under which Sherman could acquire our entire interest in Sherman. There can be no assurances that we will enter into a definitive agreement on this sale of interest to Sherman or if we do that the transaction will close.

Financial Condition

As of March 31, 2008, 74% of our investment portfolio was invested in tax-preferenced securities. In addition, at March 31, 2008, based on book value, approximately 96% of our fixed income securities were invested in 'A' rated and above, readily marketable securities, concentrated in maturities of less than 15 years. Approximately 29% of our investment portfolio is covered by the financial guaranty industry. We evaluate the credit risk of securities through analysis of the underlying fundamentals of each issuer. A breakdown of the portion of our investment portfolio covered by the financial guaranty industry by credit rating, including the rating without the guarantee is shown below.

($ millions)

	Guarantor Rating			
Underlying Rating	AAA	A-	BBB-	All
AAA	$ 52	$—	$ 2	$ 54
AA	656	2	240	898
A	567	15	133	715
BBB	62	—	38	100
	$1,337	$17	$413	$1,767

If all of the companies in the financial guaranty industry lose their 'AAA' ratings, the percentage of our fixed income portfolio rated 'A' or better will decline by 2% to 94% 'A' or better. No individual guarantor is responsible for the guarantee of more than 10% of our portfolio.

At March 31, 2008, derivative financial instruments in our investment portfolio were immaterial. We primarily place our investments in instruments that meet high credit quality standards, as specified in our investment policy guidelines. The policy also limits the amount of our credit exposure to any one issue, issuer and type of instrument. At March 31, 2008, the modified duration of our fixed income investment portfolio was 4.4 years, which means that an instantaneous parallel shift in the yield curve of 100 basis points would result in a change of 4.4% in the market value of our fixed income portfolio. For an upward shift in the yield curve, the market value of our portfolio would decrease and for a downward shift in the yield curve, the market value would increase.

At March 31, 2008, our total assets included $1.1 billion of cash and cash equivalents as shown on our consolidated balance sheet. In addition, included in "Other assets" on our consolidated balance sheet at March 31, 2008 is $111 million in real estate acquired as part of the claim settlement process. The properties, which are held for sale, are carried at fair value. Also included in "Other assets" is $64 million representing the overfunded status of our pension plan.

At March 31, 2008 we had $200 million, 5.625% Senior Notes due in September 2011 and $300 million, 5.375% Senior Notes due in November 2015, as well as $300 million outstanding under a credit facility, with a total market value of $714.0 million. The

$300 million outstanding under the credit facility is scheduled to mature in March 2010. This credit facility is discussed under “Liquidity and Capital Resources” below.

At March 31, 2008, we also had $365 million principal amount of 9% Convertible Junior Subordinated Debentures due in 2063. This amount reflects the partial exercise by the initial purchasers of their option to purchase additional debentures. In April 2008, the initial purchasers exercised the remainder of their option and purchased an additional $25 million aggregate principal amount of debentures. Within the $365 million principal amount is a derivative with a value of $9.3 million, which is included within Other Liabilities on the Consolidated Balance Sheet. The fair value of the convertible debentures and related derivative was approximately $357.9 million at March 31, 2008.

The total amount of unrecognized tax benefits as of March 31, 2008 is $86.6 million. Included in that total are $75.2 million in benefits that would affect the effective tax rate. We recognize interest accrued and penalties related to unrecognized tax benefits in income taxes. We have accrued $20.6 million for the payment of interest as of March 31, 2008.

The establishment of this liability required estimates of potential outcomes of various issues and required significant judgment. Although the resolutions of these issues are uncertain, we believe that sufficient provisions for income taxes have been made for potential liabilities that may result. If the resolutions of these matters differ materially from these estimates, it could have a material impact on our effective tax rate, results of operations and cash flows.

On June 1, 2007, as a result of an examination by the Internal Revenue Service (“IRS”) for taxable years 2000 through 2004, we received a Revenue Agent Report (“RAR”). The adjustments reported on the RAR substantially increase taxable income for those tax years and resulted in the issuance of an assessment for unpaid taxes totaling $189.5 million in taxes and accuracy-related penalties, plus applicable interest. We have agreed with the IRS on certain issues and paid $10.5 million in additional taxes and interest. The remaining open issue relates to our treatment of the flow through income and loss from an investment in a portfolio of residual interests of Real Estate Mortgage Investment Conduits (“REMICS”). The IRS has indicated that it does not believe that, for various reasons, we have established sufficient tax basis in the REMIC residual interests to deduct the losses from taxable income. We disagree with this conclusion and believe that the flow through income and loss from these investments was properly reported on our federal income tax returns in accordance with applicable tax laws and regulations in effect during the periods involved and have appealed these adjustments. The appeals process may take some time and a final resolution may not be reached until a date many months or years into the future. On July 2, 2007, we made a payment of $65.2 million with the United States Department of the Treasury to eliminate the further accrual of interest. Although the resolution of this issue is uncertain, we believe that sufficient provisions for income taxes have been made for potential liabilities that may result. If the resolution of this matter differs materially from our estimates, it could have a material impact on our effective tax rate, results of operations and cash flows.

Our principal exposure to loss is our obligation to pay claims under MGIC’s mortgage guaranty insurance policies. At March 31, 2008, MGIC’s direct (before any reinsurance)

primary and pool risk in force, which is the unpaid principal balance of insured loans as reflected in our records multiplied by the coverage percentage, and taking account of any loss limit, was approximately $64.2 billion. In addition, as part of our contract underwriting activities, we are responsible for the quality of our underwriting decisions in accordance with the terms of the contract underwriting agreements with customers. Through March 31, 2008, the cost of remedies provided by us to customers for failing to meet the standards of the contracts has not been material. However, a generally positive economic environment for residential real estate that continued until 2007 may have mitigated the effect of some of these costs, the claims for which may lag deterioration in the economic environment for residential real estate. There can be no assurance that contract underwriting remedies will not be material in the future.

Sherman

Summary Sherman balance sheets at the dates indicated appear below. We do not consolidate Sherman with us for financial reporting purposes, and we do not control Sherman. Sherman's internal controls over its financial reporting are not part of our internal controls over our financial reporting. However, our internal controls over our financial reporting include processes to assess the effectiveness of our financial reporting as it pertains to Sherman. We believe those processes are effective in the context of our overall internal controls.

Sherman Summary Balance Sheet:

	March 31, 2008	December 31, 2007
	($ millions)	
Total Assets	$2,383	$2,242
Debt	$1,669	$1,611
Total Liabilities	$1,898	$1,821
Members' Equity	$ 485	$ 421

Our investment in Sherman on an equity basis at March 31, 2008 was $129.2 million. We received $51.5 million of distributions from Sherman during 2007 and $103.7 million of distributions from Sherman in 2006.

Liquidity and Capital Resources

Our consolidated sources of funds consist primarily of premiums written and investment income. We invest positive cash flows pending future payments of claims and other expenses. Historically cash inflows from premiums have been sufficient to meet claim payments, however, we anticipate that in 2008 claim payments will exceed premiums received. Also, see "Losses — Premium deficiency" for a discussion regarding the future cash flow shortfalls of the Wall Street bulk transactions. We can fund cash flow shortfalls through sales of short-term investments and other investment portfolio securities, subject to insurance regulatory requirements regarding the payment of dividends to the extent funds were required by an entity other than the seller. Substantially all of the investment portfolio securities are held by our insurance subsidiaries.

To increase our capital position, in the first quarter of 2008, we raised proceeds of approximately $815 million through the sale of our common stock and junior convertible debentures. We also raised an additional approximately $25 million in April 2008 through the sale of additional debentures.

We have a commercial paper program, which is rated "A-3" by Standard & Poor's and "P-2" by Moody's. The amount available under this program is $300 million less any amounts drawn under the credit facility discussed below. At March 31, 2008 we had no commercial paper outstanding because, as noted below, in 2007 we drew the entire amount of our revolving credit facility and repaid the amount then-outstanding under this program.

We have a $300 million, five year revolving credit facility that is scheduled to mature in March 2010. The credit facility requires us to maintain shareholders' equity of at least $2.25 billion and MGIC to maintain a statutory risk-to-capital ratio of not more than 22:1 and maintain policyholders' position, which includes MGIC's statutory surplus and its contingency reserve, of not less than the amount required by Wisconsin insurance regulation. However, the credit facility was amended on March 14, 2008 to modify the shareholders' equity requirement to require us to maintain a consolidated shareholders' equity balance of no less than $2.25 billion at any time prior to March 31, 2008 and after July 1, 2008, and no less than $1.85 billion during the period between March 31, 2008 through and including July 1, 2008. At March 31, 2008, these requirements were met. Our shareholders' equity, as reported on the consolidated balance sheet, was $2.99 billion and $2.59 billion at March 31, 2008 and December 31, 2007, respectively. In August 2007 we drew the entire $300 million on the credit facility. These funds, in part, were utilized to repay the outstanding commercial paper, which approximated $177 million immediately prior to the credit facility draw. We drew the portion of the revolving credit facility equal to our outstanding commercial paper because we believed that funding with a long-term maturity was superior to funding that required frequent renewal on a short-term basis. We drew the remainder of the credit facility to provide us with greater financial flexibility at the holding company level. At March 31, 2008 we continued to have $300 million outstanding under this facility.

The credit facility discussed above has a provision whereby we can increase the capacity by $200 million under the same terms and conditions, if agreed upon by us and

the lenders or any other lenders willing to provide the additional capacity at existing terms.

The commercial paper, credit facility, senior notes and convertible debentures are obligations of MGIC Investment Corporation and not of its subsidiaries. We are a holding company and the payment of dividends from our insurance subsidiaries is restricted by insurance regulation. MGIC is the principal source of dividend-paying capacity. During the first quarter of 2008, MGIC paid a dividend of $15 million to our holding company. As has been the case for the past several years, as a result of extraordinary dividends paid, MGIC cannot currently pay any dividends without regulatory approval. We anticipate that in the remainder of 2008 we will seek approval to pay an additional $45 million in dividends from MGIC, $15 million each quarter.

As of March 31, 2008, we had a total of approximately $448 million in cash, cash equivalents and liquid investments at the holding company (MGIC Investment). Our use of funds at the holding company includes interest payments on our Senior Notes, credit facility and junior convertible debentures, and dividends on our common stock. On an annual basis, in aggregate, these uses total approximately $85 million, based on the current rate in effect on our credit facility, our current dividend rate and assuming a full year of interest on the entire $390 million of debentures. At March 31, 2008 we believe we have adequate liquidity at our holding company to service our holding company obligations in the ordinary course. You should review our Risk Factor titled “Our shareholders’ equity could fall below the minimum amount required under our bank debt.”

Risk-to-Capital

We consider our risk-to-capital ratio an important indicator of our financial strength and our ability to write new business. This ratio is computed on a statutory basis for our combined insurance operations and is our net risk in force divided by our policyholders’ position. Policyholders’ position consists primarily of statutory policyholders’ surplus (which increases as a result of statutory net income and decreases as a result of statutory net loss and dividends paid), plus the statutory contingency reserve. The statutory contingency reserve is reported as a liability on the statutory balance sheet. A mortgage insurance company is required to make annual contributions to the contingency reserve of approximately 50% of net earned premiums. These contributions must generally be maintained for a period of ten years. However, with regulatory approval a mortgage insurance company may make early withdrawals from the contingency reserve when incurred losses exceed 35% of net earned premium in a calendar year.

The premium deficiency reserve discussed under “Results of Operations – Losses – Premium deficiency” above is not recorded as a liability on the statutory balance sheet and is not a component of statutory net income. The present value of expected future premiums and already established loss reserves and statutory contingency reserves, exceeds the present value of expected future losses and expenses, so no deficiency is recorded on a statutory basis.

Our combined insurance companies’ risk-to-capital calculation appears in the table below.

	March 31, 2008	December 31, 2007
	($ in millions)	
Risk in force — net of reinsurance	$59,683	$ 57,527
Statutory policyholders' surplus	$ 1,861	$ 1,351
Statutory contingency reserve	3,244	3,464
Statutory policyholders' position	$ 5,105	$ 4,815
Risk-to-capital:	11.7:1	11.9:1

The decrease in risk-to-capital during the first quarter of 2008 is the result of an increase in statutory policyholders' position, offset by an increase in net risk in force. Statutory policyholders' position increased during the first quarter of 2008, primarily due to a capital contribution to our subsidiary, MGIC, from the proceeds raised by the sale of our common stock and the convertible debentures. If our insurance in force continues to grow, our risk in force would also grow. To the extent our statutory policyholders' position does not increase at the same rate as our growth in risk in force, our risk-to-capital ratio will increase. Similarly, if our statutory policyholders' position decreases at a greater rate than our risk in force, then our risk-to-capital ratio will increase.

We believe we have more than adequate resources to pay claims on our insurance in force, even in very high loss scenarios. However, we expect our policyholders' position to decline throughout 2008, as risk in force (the numerator in the calculation) increases and our statutory policyholders' position (the denominator) declines. We expect risk in force to grow as we continue to write new business and the persistency rate of the current risk in force remains at or above recent levels. We expect statutory policyholders' position to decline as losses are recognized, particularly on Wall Street bulk transactions, which have no premium deficiency reserve for statutory purposes. As a result we expect that our risk-to-capital ratio will increase above its level at March 31, 2008.

Recent Ratings Actions

On April 8, 2008 Standard and Poor's (S&P) lowered its financial strength rating of MGIC to 'A' from 'AA-' with a negative outlook. The rating was removed from CreditWatch (We understand that being on CreditWatch with negative implications means there is a greater than 50% chance of a downgrade.) In its statement, S&P said that MGIC has the equivalent of AAA capital as measured by a capital adequacy ratio of 110% as of December 31, 2007. S&P's capital adequacy ratio is the claims paying resources divided by claims under S&P's stress test claims scenario over a ten-year period. MGIC's capital adequacy ratio at December 31, 2006 was 111%. The minimum ratio required for S&P's AAA insurer financial strength rating is 100%. S&P also said that MGIC's flow delinquency rate is below the industry median, and that MGIC has superior profitability relative to the industry due to less utilization of captive reinsurance.

The financial strength of MGIC is rated AA by Fitch Ratings. In late February 2008 Fitch announced that it was placing MGIC's rating on "rating watch negative". Fitch said "the present stressful mortgage environment has resulted in a modeled capital shortfall for [MGIC] at the 'AA' rating threshold. If within the next several months, MGIC is able to obtain additional capital resources to address this shortfall, Fitch would expect to affirm MGIC's ratings, with a Negative Rating Outlook, reflecting the financial stress associated with the present mortgage environment."

The financial strength of MGIC is rated Aa2 by Moody's Investors Service. Moody's has announced that they are reviewing MGIC's rating for possible downgrade. MGIC could be downgraded below Aa3 when the review is concluded. For further information about the importance of MGIC's ratings, see our Risk Factor titled "Our financial strength rating has been downgraded below Aa3/AA-, which could reduce the volume of our new business writings" in Item 1A.

Contractual Obligations

At March 31, 2008, the approximate future payments under our contractual obligations of the type described in the table below are as follows:

Contractual Obligations ($ millions):	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations	$ 3,165	$ 70	$ 435	$ 307	$ 2,353
Operating lease obligations	20	7	10	3	—
Purchase obligations	—	—	—	—	—
Pension, SERP and other post-retirement benefit plans	131	6	16	22	87
Other long-term liabilities	3,017	2,022	935	60	—
Total	$ 6,333	$ 2,105	$ 1,396	$ 392	$ 2,440

Our long-term debt obligations include our $300 million of 5.375% Senior Notes due in November 2015, $200 million of 5.625% Senior Notes due in 2011, $300 million outstanding under a credit facility expiring in 2010 and $365 million in convertible debentures, including related interest, as discussed in "Note 2. Short- and long-term debt" and "Note 3. Convertible debentures and related derivative" to our consolidated financial statements and under "Liquidity and Capital Resources" above. For discussions related to our debt covenants see "-Liquidity and Capital Resources" and our Risk Factor titled "Our shareholders' equity could fall below the minimum required under our bank debt." Our operating lease obligations include operating leases on certain office space, data processing equipment and autos, as discussed in Note 12 to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2007. See Note 9 to our consolidated financial statement in our Annual Report on Form 10-K for the year ended December 31, 2007 for discussion of expected benefit payments under our benefit plans.

Our other long-term liabilities represent the loss reserves established to recognize the liability for losses and loss adjustment expenses related to defaults on insured mortgage loans. The establishment of loss reserves is subject to inherent uncertainty and requires significant judgment by management. The future loss payment periods are estimated based on historical experience, and could emerge significantly different than this estimate. See “Note 6. Loss reserves” to our consolidated financial statements and “-Critical Accounting Policies”, both in our Annual Report on Form 10-K for the year ended December 31, 2007.

The table above does not reflect the liability for unrecognized tax benefits due to uncertainties in the timing of the effective settlement of tax positions. We can not make a reasonably reliable estimate of the timing of payment for the liability for unrecognized tax benefits, net of payments on account, of $18.4 million. See Note 10 to our consolidated financial statement in our Annual Report on Form 10-K for the year ended December 31, 2007 for additional discussion on unrecognized tax benefits.

Forward-Looking Statements and Risk Factors

General: Our revenues and losses could be affected by the risk factors referred to under “Location of Risk Factors” below that are applicable to us, and our income from joint ventures could be affected by the risk factors referred to under “Location of Risk Factors” that are applicable to Sherman. These risk factors are an integral part of Management’s Discussion and Analysis.

These factors may also cause actual results to differ materially from the results contemplated by forward looking statements that we may make. Forward looking statements consist of statements which relate to matters other than historical fact. Among others, statements that include words such as we “believe”, “anticipate” or “expect”, or words of similar import, are forward looking statements. We are not undertaking any obligation to update any forward looking statements we may make even though these statements may be affected by events or circumstances occurring after the forward looking statements were made.

Location of Risk Factors: The risk factors are in Item 1 A of our Annual Report on Form 10-K for the year ended December 31, 2007, as supplemented by Part II, Item 1 A of this Quarterly Report on Form 10-Q. The risk factors in the 10-K, as supplemented by this 10-Q and through updating of various statistical and other information, are reproduced in Exhibit 99 to this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At March 31, 2008, the derivative financial instruments in our investment portfolio were immaterial. We place our investments in instruments that meet high credit quality standards, as specified in our investment policy guidelines; the policy also limits the amount of credit exposure to any one issue, issuer and type of instrument. At March 31, 2008, the modified duration of our fixed income investment portfolio was 4.4 years, which means that an instantaneous parallel shift in the yield curve of 100 basis points would result in a change of 4.4% in the market value of our fixed income portfolio. For an upward shift in the yield curve, the market value of our portfolio would decrease and for a downward shift in the yield curve, the market value would increase.

The interest rate on our $300 million credit facility is variable and is based on, at our option, LIBOR plus a margin that varies with MGIC's financial strength rating or a base rate specified in the credit agreement. For each 100 basis point change in LIBOR or the base rate, our interest cost, expressed on an annual basis, would change by $3 million.

ITEM 4. CONTROLS AND PROCEDURES

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our principal executive officer and principal financial officer concluded that such controls and procedures were effective as of the end of such period. There was no change in our internal control over financial reporting that occurred during the first quarter of 2008 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1 A. Risk Factors

With the possible exception of the changes described and set forth below, there have been no material changes in our risk factors from the risk factors disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2007. The risk factors in the 10-K, as supplemented by this 10-Q and through updating of various statistical and other information, are reproduced in their entirety in Exhibit 99 to this Quarterly Report on Form 10-Q.

As a result of the issuance of common stock referred to in Note 9 above and Convertible Junior Subordinated Debentures referred to in Item 2 of Part II below, we have eliminated the risk factor titled "Additional capital that we raise could dilute your ownership in our company and may cause the market price of our common shares to

fall" that was included in our Annual Report on Form 10-K for the year ended December 31, 2007.

Our shareholders' equity could fall below the minimum amount required under our bank debt.

We have drawn the entire $300 million available under our bank revolving credit facility which matures in March 2010. This facility requires that we maintain shareholders' equity of $2.250 billion, except that under a March 2008 amendment to the facility we need only maintain shareholders' equity of $1.850 billion during the period March 31, 2008 through July 1, 2008. At March 31, 2008, our shareholders' equity was $2.99 billion. We expect we will have a net loss in 2008, with the result that we expect our shareholders' equity to decline. Our current forecast of our 2008 net loss would not reduce our forecasted shareholders' equity below $2.250 billion. There can be no assurance that our actual results will not be materially worse than our forecast or that losses in future years, if they occur, will not reduce our shareholders' equity below the minimum amount required under our bank revolving credit facility.

In addition, regardless of our results of operations, our shareholders' equity would be reduced to the extent the carrying value of our investment portfolio declines from its carrying value at March 31, 2008 due to market value adjustments and to the extent we pay dividends to our shareholders. At March 31, 2008, the modified duration of our fixed income portfolio was 4.4 years, which means that an instantaneous parallel shift in the yield curve of 100 basis points would result in a change of 4.4% (approximately $270 million) in the market value of this portfolio. For an upward shift in the yield curve, the market value of this portfolio would decrease, and for a downward shift in the yield curve, the market value would increase. Recent volatility in the bond market, particularly the municipal bond market, has increased the likelihood that changes in fair values of our portfolio, which flow through our other comprehensive income, could materially reduce shareholders' equity. Market value adjustments could also occur as a result of changes in credit spreads. At our current annual dividend rate, approximately $9.4 million would be paid in dividends in the remainder of 2008.

If we did not meet the minimum shareholders' equity requirement and are not successful obtaining an agreement from banks holding a majority of the debt outstanding under the facility to change (or waive) this requirement, banks holding a majority of the debt outstanding under the facility would have the right to declare the entire amount of the outstanding debt due and payable. If the debt under our bank facility were accelerated in this manner, the holders of 25% or more of our publicly traded $200 million 5.625% senior notes due in September 2011, and the holders of 25% or more of our publicly traded $300 million 5.375% senior notes due in November 2015, each would have the right to accelerate the maturity of that debt. In addition, the trustee of these two issues of senior notes, which is also a lender under our bank credit facility, could, independent of any action by holders of senior notes, accelerate the maturity of the senior notes. In the event the amounts owing under our revolving credit facility or any series of our outstanding senior notes are accelerated, we may not have sufficient funds to repay any such amounts.

Our financial strength rating has been downgraded below Aa3/AA-, which could reduce the volume of our new business writings.

On April 8, 2008, Standard & Poor's Rating Services lowered the insurer financial strength rating of MGIC, our principal mortgage insurance subsidiary, from AA- to A with a negative outlook. The financial strength of MGIC is rated Aa2 by Moody's Investors Service, which is reviewing MGIC's rating for possible downgrade. The financial strength of MGIC is rated AA by Fitch Ratings. In late February 2008 Fitch announced that it was placing MGIC's rating on rating watch negative.

The mortgage insurance industry has historically viewed a financial strength rating of Aa3/AA- as critical to writing new business. In part this view has resulted from the mortgage insurer eligibility requirements of the GSEs, which each year purchase the majority of loans insured by us and the rest of the mortgage insurance industry. The eligibility requirements define the standards under which the GSEs will accept mortgage insurance as a credit enhancement on mortgages they acquire. These standards impose additional restrictions on insurers that do not have a financial strength rating of at least Aa3/AA-. These restrictions include not permitting such insurers to engage in captive reinsurance transactions with lenders. For many years, captive reinsurance has been an important means through which mortgage insurers compete for business from lenders, including lenders who sell a large volume of mortgages to the GSEs. In February 2008 Freddie Mac announced that it was temporarily suspending the portion of its eligibility requirements that impose additional restrictions on a mortgage insurer that is downgraded below Aa3/AA- if the affected insurer commits to submitting a complete remediation plan for its approval. In February 2008 Fannie Mae advised us that it would not automatically impose additional restrictions on a mortgage insurer that is downgraded below Aa3/AA- if the affected insurer submits a written remediation plan.

Because MGIC was downgraded to 'A' by Standard & Poor's Rating Services on April 8, 2008, we are in the process of submitting written remediation plans to both Freddie Mac and Fannie Mae. There can be no assurance that we will be able to submit acceptable remediation plans to them in a timely manner. In addition, there can be no assurance that Freddie Mac and Fannie Mae will continue the positions described above with respect to mortgage insurers that have been downgraded below Aa3/AA-.

Apart from the effect of the eligibility requirements of the GSEs, we believe lenders who hold mortgages in portfolio and choose to obtain mortgage insurance on the loans assess a mortgage insurer's financial strength rating as one element of the process through which they select mortgage insurers. As a result of these considerations, a mortgage insurer such as MGIC that is rated less than Aa3/AA- may be competitively disadvantaged.

We are subject to the risk of private litigation and regulatory proceedings.

Consumers are bringing a growing number of lawsuits against home mortgage lenders and settlement service providers. In recent years, seven mortgage insurers, including MGIC, have been involved in litigation alleging violations of the anti-referral fee provisions of the Real Estate Settlement Procedures Act, which is commonly known as

RESPA, and the notice provisions of the Fair Credit Reporting Act, which is commonly known as FCRA. MGIC's settlement of class action litigation against it under RESPA became final in October 2003. MGIC settled the named plaintiffs' claims in litigation against it under FCRA in late December 2004 following denial of class certification in June 2004. Since December 2006, class action litigation was separately brought against a number of large lenders alleging that their captive mortgage reinsurance arrangements violated RESPA. While we are not a defendant in any of these cases, there can be no assurance that we will not be subject to future litigation under RESPA or FCRA or that the outcome of any such litigation would not have a material adverse effect on us.

In June 2005, in response to a letter from the New York Insurance Department, we provided information regarding captive mortgage reinsurance arrangements and other types of arrangements in which lenders receive compensation. In February 2006, the New York Insurance Department requested MGIC to review its premium rates in New York and to file adjusted rates based on recent years' experience or to explain why such experience would not alter rates. In March 2006, MGIC advised the New York Insurance Department that it believes its premium rates are reasonable and that, given the nature of mortgage insurance risk, premium rates should not be determined only by the experience of recent years. In February 2006, in response to an administrative subpoena from the Minnesota Department of Commerce, which regulates insurance, we provided the Department with information about captive mortgage reinsurance and certain other matters. We subsequently provided additional information to the Minnesota Department of Commerce, and on March 6, 2008 that Department sought additional information as well as answers to interrogatories regarding captive mortgage reinsurance. We understand from conversations with the Minnesota Department of Commerce that the Department of Housing and Urban Development, commonly referred to as HUD, will also be seeking information about captive mortgage reinsurance. Other insurance departments or other officials, including attorneys general, may also seek information about or investigate captive mortgage reinsurance.

The anti-referral fee provisions of RESPA provide that the Department of Housing and Urban Development as well as the insurance commissioner or attorney general of any state may bring an action to enjoin violations of these provisions of RESPA. The insurance law provisions of many states prohibit paying for the referral of insurance business and provide various mechanisms to enforce this prohibition. While we believe our captive reinsurance arrangements are in conformity with applicable laws and regulations, it is not possible to predict the outcome of any such reviews or investigations nor is it possible to predict their effect on us or the mortgage insurance industry.

In October 2007, the Division of Enforcement of the Securities and Exchange Commission requested that we voluntarily furnish documents and information primarily relating to C-BASS, the now-terminated merger with Radian and the subprime mortgage assets "in the Company's various lines of business." We are in the process of providing responsive documents and information to the Securities and Exchange Commission.

We understand that two law firms have recently issued press releases to the effect that they are investigating whether the fiduciaries of our 401(k) plan breached their fiduciary duties regarding the plan's investment or holding of our common stock. With

limited exceptions, our bylaws provide that the plan fiduciaries are entitled to indemnification from us for claims against them. We intend to defend vigorously any proceedings that may result from these investigations.

ITEM 2. UNREGISTERED SALE OF EQUITY SECURITIES & USE OF PROCEEDS

On March 25, 2008, we entered into a purchase agreement with Banc of America Securities LLC, which executed the purchase agreement on behalf of itself, Deutsche Bank Securities Inc., Fox-Pitt Kelton Cochran Caronia Waller (USA) LLC, Keefe Bruyette & Woods, Inc. and Piper Jaffray & Co., or the initial purchasers. Pursuant to the purchase agreement, we agreed to sell, and the initial purchasers agreed to purchase, subject to the terms and conditions set forth therein, $325,000,000 aggregate principal amount of our 9% Convertible Junior Subordinated Debentures due 2063. Pursuant to the purchase agreement, we granted the initial purchasers an option to purchase, from time to time, in whole or in part, up to an additional $65,000,000 aggregate principal amount of the debentures on the same terms and conditions. On March 28, 2008, following the partial exercise of the initial purchasers' option, we sold $365,000,000 aggregate principal amount of the debentures in a private placement pursuant to exemptions from the registration requirements of the Securities Act of 1933, as amended. We agreed to pay underwriting discounts or commissions of 3% of the aggregate principal amount of the debentures sold in the transaction. As a result, we paid an aggregate of $10.95 million of discounts and commissions at the time of issuance on March 28, 2008.

On April 3, 2008, the initial purchasers exercised in full their remaining option to purchase up to $25,000,000 aggregate principal amount of debentures. On April 8, 2008, we sold the $25,000,000 aggregate principal amount of debentures to the initial purchasers in a private placement pursuant to exemptions from the registration requirements of the Securities Act of 1933, as amended. At the time of issuance we paid an aggregate of $750,000 in discounts to the initial purchasers. The initial purchasers have no further option or other right to purchase, and we have no further obligation to sell, debentures under the purchase agreement.

The offer and sale of the debentures to the initial purchasers was in reliance on the exemption from registration provided by Section 4(2) of the Securities Act. The initial purchasers are initially offering the debentures to "qualified institutional buyers" pursuant to the exemption from registration provided by Rule 144A under the Securities Act. We relied on these exemptions from registration based in part on representations made by the initial purchasers.

Holders may convert their debentures into shares of our common stock at any time prior to 5:00 p.m., New York City time, on the business day immediately preceding the maturity date of the debentures. The initial conversion rate, which is subject to adjustment, is 74.0741 shares of common stock per $1,000 principal amount of debentures. This represents an initial conversion price of approximately $13.50 per share. A holder that surrenders debentures for conversion in connection with a "make-whole fundamental change" (defined as certain transfers of all or substantially all of our assets or common stock) that occurs on or prior to April 1, 2063 may in certain circumstances be entitled to an increased conversion rate. In addition, upon the

occurrence of a “fundamental change” (defined to occur if there is a change in control of us or if our stock is not listed on a United States national securities exchange), if the market value per share of our common stock multiplied by the conversion rate then in effect is less than $1,000, holders will have the option to convert all or a portion of their debentures into common stock at an adjusted conversion rate equal to the lesser of (1) $1,000 divided by the market value per share of our common stock as of the effective date of the fundamental change and (2) 250.0000 shares. Until we have obtained any necessary shareholder approval as required under the listing rules of the New York Stock Exchange, the shares issuable upon conversion of the debentures will in no event exceed 19.99% of our common stock outstanding immediately before the issuance of the debentures and, if an event occurs that would otherwise result in an increase in the conversion rate above such limit, and we have not previously obtained such shareholder approval, we will either obtain shareholder approval of any shares issuable upon conversion of the debentures or, with respect only to those shares that would exceed such limit, deliver cash in lieu of any shares otherwise deliverable upon conversion in excess of such limitation.

The debentures and common stock issuable upon conversion of the debentures have not been registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

The net proceeds from the sale of the debentures were used to increase the capital of MGIC, our principal insurance subsidiary, in order to enable us to expand the volume of our new business and will also be used for our general corporate purposes.

ITEM 6. EXHIBITS

The accompanying Index to Exhibits is incorporated by reference in answer to this portion of this Item, and except as otherwise indicated in the next sentence, the Exhibits listed in such Index are filed as part of this Form 10-Q. Exhibit 32 is not filed as part of this Form 10-Q but accompanies this Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, on May 12, 2008.

MGIC INVESTMENT CORPORATION

/s/ J. Michael Lauer
J. Michael Lauer
Executive Vice President and Chief Financial Officer

/s/ Joseph J. Komanecki
Joseph J. Komanecki
Senior Vice President, Controller and Chief Accounting Officer

INDEX TO EXHIBITS
(Part II, Item 6)

Exhibit Number	Description of Exhibit
4.5.1	Amendment No. 1 to Five-Year Credit Agreement, dated as of March 14, 2008, between MGIC Investment Corporation and the lenders named therein [Incorporated by reference to Exhibit 4.5.1 to the company's Annual Report on Form 10-K/A filed on March 18, 2008]
4.6	Indenture, dated as of March 28, 2008 between U.S. Bank National Association, as trustee, and MGIC Investment Corporation
10.2.8	Form of Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan (Adopted February 2008)
10.2.9	Form of Incorporated Terms to Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan (Adopted February 2008)
10.2.10	Form of Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan (for Directors) (Adopted April 2008)
10.2.11	Form of Incorporated Terms to Restricted Stock and Restricted Stock Unit Agreement under 2002 Stock Incentive Plan (for Directors) (Adopted April 2008)
11	Statement Re Computation of Net Income Per Share
31.1	Certification of CEO under Section 302 of Sarbanes-Oxley Act of 2002
31.2	Certification of CFO under Section 302 of Sarbanes-Oxley Act of 2002
32	Certification of CEO and CFO under Section 906 of Sarbanes-Oxley Act of 2002 (as indicated in Item 6 of Part II, this Exhibit is not being "filed")
99	Risk Factors included in Item 1 A of our Annual Report on Form 10-K for the year ended December 31, 2007, as supplemented by Part II, Item 1A of our Quarterly Reports on Form 10-Q for the quarter ended March 31, 2008 and through updating of various statistical and other information

Exhibit 4.6

MGIC INVESTMENT CORPORATION

AND

U.S. BANK NATIONAL ASSOCIATION, as Trustee

INDENTURE

Dated as of March 28, 2008

CROSS REFERENCE TABLE*

* Note: This Cross Reference Table shall not, for any purpose, be deemed to be part of the Indenture.

TIA Section	Indenture Section
310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.
(a)(4)	N.A.
(b)	7.08; 7.10
(c)	N.A.
311(a)	N.A.
(b)	N.A.
(c)	N.A.
312(a)	2.05
(b)	12.03
(c)	12.03
313(a)	7.06
(b)(1)	N.A.
(b)(2)	7.06
(c)	12.02
(d)	7.06
314(a)	4.02; 4.03; 12.02
(b)	N.A.
(c)(1)	12.04
(c)(2)	12.04
(c)(3)	N.A.
(d)	N.A.
(e)	12.05
(f)	N.A.
315(a)	7.01
(b)	7.05; 12.02
(c)	7.01
(d)	7.01
(e)	6.11
316(a) (last sentence)	2.08
(a)(1)(A)	6.05
(a)(1)(B)	6.04
(a)(2)	N.A.
(b)	6.07
317(a)(1)	6.08
(a)(2)	6.09

TIA Section	Indenture Section
(b)	2.04
318(a)	12.01

N.A. means not applicable.

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THIS INDENTURE, dated as of March 28, 2008, between MGIC INVESTMENT CORPORATION, a Wisconsin corporation (the "Company"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as trustee ("Trustee").

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders of the Company's 9% Convertible Junior Subordinated Debentures due 2063 (the "Debentures"):

ARTICLE 1

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01. *Certain Terms Defined*. The following terms (except as otherwise expressly provided or unless the context otherwise clearly requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section. All other terms used in this Indenture that are defined in the TIA or the definitions of which in the Securities Act are referred to in the TIA, including terms defined therein by reference to the Securities Act (except as herein otherwise expressly provided or unless the context otherwise clearly requires), shall have the meanings assigned to such terms in the TIA and in the Securities Act as in force at the date of this Indenture. All accounting terms used herein and not expressly defined shall have the meanings assigned to such terms in accordance with generally accepted accounting principles, and the term "generally accepted accounting principles" means such accounting principles as are generally accepted in the United States of America at the time of any computation. The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole, as supplemented and amended from time to time, and not to any particular Article, Section or other subdivision. The terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular.

"Act," when used with respect to any Holders, has the meaning specified in Section 1.04.

"Additional Shares" has the meaning set forth in Section 10.10.

"Affiliate" of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, "control" when used with respect to any specified person means the power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Alternative Payment Mechanism" has the meaning set forth in Section 4.06.

"Applicable Procedures" means, with respect to any transfer or transaction involving a Global Security or beneficial interest therein, the rules and procedures of the Depositary for such Debenture, in each case to the extent applicable to such transaction and as in effect from time to time.

"Asset Sale Make-Whole Fundamental Change" means any sale, transfer, lease, conveyance or other disposition of all or substantially all of the property or assets of the Company, or of all or substantially all of the property or assets of the Company and the Subsidiaries on a consolidated basis, to any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), including any group acting for the purpose of acquiring, holding, voting or disposing of securities within the meaning of Rule 13d-5(b)(1) under the Exchange Act.

"Bankruptcy Law" means Title 11, United States Code, or any similar Federal or state law for the relief of debtors.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of such board.

"Business Day" means any weekday that is not a day on which banking institutions in the City of New York, New York are authorized or required by law or executive order to remain closed.

"Certificated Securities" means Debentures that are substantially in the form of the Debentures attached hereto as Exhibit A.

"Change in Control" has the meaning set forth in Section 10.11(vii).

"Close of Business" means 5:00 p.m. (New York City time).

"Closing Sale Price" of the Common Stock on any date means the closing sale price per share (or if no closing sale price is reported, the average of the closing bid and ask prices or, if more than one in either case, the average of the average closing bid and the average closing ask prices) on such date as reported on the principal United States securities exchange on which such Common Stock is traded or, if such Common Stock is not listed on a United States national or regional securities exchange, as reported by the National Quotation Bureau Incorporated. In the absence of such quotation, but only with respect to the Company's Common Stock, the closing sale price will be an amount determined in good faith by the Company's board of directors to be the fair value of such Common Stock, and such determination shall be conclusive.

"Common Stock" means the shares of common stock, $1.00 par value, of the Company as it exists on the date of this Indenture or any other shares of capital stock of the Company into which the Common Stock shall be reclassified or changed.

"Common Stock Change Make-Whole Fundamental Change" means any transaction or series of related transactions (other than a Listed Stock Business Combination, as defined in Section 10.11(vii)), in connection with which (whether by means of an exchange offer, liquidation, tender offer, consolidation, amalgamation, statutory arrangement, merger, combination, reclassification, recapitalization, asset sale, lease of assets or otherwise) all or substantially all the Common Stock is exchanged for, converted into, acquired for or constitutes solely the right to receive other securities, other property, assets or cash.

“Company” means the party named as the “Company” in the first paragraph of this Indenture until a successor replaces it pursuant to the applicable provisions of this Indenture and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

“Company Request” or “Company Order” means a written request or order signed in the name of the Company by an Officer.

“Compounded Interest” means interest on any accrued and unpaid interest, to the extent permitted by applicable law, at the Debenture Interest Rate (as defined in Section 2.08(i)) compounded semi-annually.

“Conversion Date” has the meaning set forth in Section 10.02(iii).

“Conversion Price” means, on any day, $1,000 divided by the Conversion Rate in effect on that day.

“Conversion Rate” has the meaning set forth in Section 10.05.

“Corporate Trust Office” means the principal office of the Trustee at which at any time its corporate trust business shall be administered, which office at the date hereof is located at 1555 North RiverCenter Drive Suite 301; Milwaukee, WI 53212, Attention: Corporate Trust Services, or such other address as the Trustee may designate from time to time by notice to the Holders and the Company, or the principal corporate trust office of any successor Trustee (or such other address as a successor Trustee may designate from time to time by notice to the Holders and the Company).

“Covenant Breach” means a default in the performance, or breach, of any covenant or warranty of the Company in this Indenture (other than an Event of Default as defined in Section 6.01 hereof), and a continuance of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the Company by the Trustee, or to the Company and the Trustee by the Holders of a majority in principal amount of the outstanding Debentures, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a “Notice of Default.”

“Current Market Price” of the Company’s Common Stock means, for any day, the average of the Closing Sale Price per share of the Company’s Common Stock for each of the five consecutive Trading Days ending on the earlier of the day in question and the day before the Ex-Dividend Date with respect to the issuance or distribution requiring such computation.

“Current Stock Market Price” of the Company’s Common Stock means, for any day, the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions by the NYSE or, if the Company’s Common Stock is not then listed on the NYSE, as reported by the principal U.S. securities exchange on which the Company’s Common Stock is traded or quoted. If the Company’s Common Stock is not either listed or quoted on any U.S. securities exchange on the relevant date, the “Current Stock Market Price” will be the last quoted bid price for the Company’s

Common Stock in the over-the-counter market on the relevant date as reported by the National Quotation Bureau or similar organization. If the Company's Common Stock is not so quoted, the "Current Stock Market Price" will be the average of the mid-point of the last bid and ask prices for the Company's Common Stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by the Company for this purpose.

"Debentures" means any of the Company's 9% Convertible Junior Subordinated Debentures due 2063, as amended or supplemented from time to time, issued under this Indenture.

"Deferred Interest" means all interest deferred pursuant to Section 2.09, as then accrued and unpaid.

"Depositary" means DTC or the nominee thereof, or any successor thereto.

"DTC" means The Depository Trust Company.

"Effective Date" has the meaning specified in Section 10.10(ii).

"Eligible Proceeds" means, for each relevant Interest Payment Date, the net proceeds (after underwriters' or placement agents' fees, commissions or discounts and other expenses relating to the issuance or sale) the Company received during the 180-day period prior to that Interest Payment Date from the issuance or sale of Qualifying Securities (in the case of Qualifying Preferred Stock, up to the Preferred Stock Issuance Cap), in each case to persons that are not Affiliates of the Company.

"Event of Default" has the meaning set forth in Section 6.01(i).

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exchange Property" has the meaning set forth in Section 10.06(i).

"Ex-Dividend Date" means the first date on which the Company's Common Stock trades on the applicable exchange or in the applicable market, "regular way," without the right to receive a relevant issuance or distribution.

"Fair Market Value" means the amount which a willing buyer would pay a willing seller in an arm's-length transaction, as conclusively determined in good faith by the Board of Directors.

"Final Maturity Date" has the meaning set forth in Section 2.02.

"Foregone Interest" has the meaning set forth in Section 2.09(vi).

"Fundamental Change" has the meaning set forth in Section 10.11(vii).

"Fundamental Change Option" has the meaning set forth in Section 10.11(iii).

“Fundamental Change Option Period” has the meaning set forth in Section 10.11(i).

“GAAP” means, at any date or for any period, U.S. generally accepted accounting principles, as in effect on such date or for such period.

“Global Securities” means Debentures that are in the form of the Debentures attached hereto as Exhibit A.

“Holder” means a person in whose name a Debenture is registered on the Registrar’s books.

“Indenture” means this Indenture, as amended or supplemented from time to time in accordance with the terms hereof, including the provisions of the TIA that are deemed to be a part hereof.

“Interest Payment Date” has the meaning set forth in Section 2.08(i).

“Interest Payment Period” means, subject to Section 2.09, any semi-annual period during which interest accrues pursuant to this Indenture.

“Issue Date” means March 28, 2008.

“Junior Debt Securities” means debt securities that rank, upon liquidation, junior to the Debentures.

“Make-Whole Fundamental Change” means an Asset Sale Make-Whole Fundamental Change or a Common Stock Change Make-Whole Fundamental Change.

“Market Disruption Event” means the occurrence or existence of any of the following events or sets of circumstances:

(i) the Company may not issue Qualifying Securities without obtaining the consent or approval of a regulatory body (including, without limitation, any securities exchange) or governmental authority, and the Company has used commercially reasonable efforts to obtain such consent or approval but such consent or approval has not been obtained;

(ii) trading in securities generally or Common Stock or Preferred Stock on the principal exchange on which the Common Stock or Preferred Stock is then listed and traded (as of the date hereof, in the case of the Common Stock, the NYSE) has been suspended or the settlement of such trading generally has been materially disrupted;

(iii) (a) (1) the United States has become engaged in hostilities, (2) there has been an escalation in hostilities involving the United States or (3) there has been a declaration of a national emergency or war by the United States or (b) there has occurred any material adverse change in (1) domestic or international economic, political or financial conditions (including from terrorist activities) or (2) the effect of international conditions on the financial markets in the United States that, in any of the circumstances

described in clauses (a) or (b) of this clause, materially disrupts or otherwise has a material adverse effect on trading in, or the issuance and sale of, Qualifying Securities;

(iv) a material disruption has occurred or a banking moratorium has been declared in commercial banking or securities settlement or clearance services, and such disruption or moratorium materially disrupts or otherwise has a material adverse effect on trading in, or the issuance and sale of, Qualifying Securities;

(v) minimum or maximum prices have been fixed, or maximum ranges for prices of securities are required on the NYSE or by the SEC or another governmental authority which, in either case, materially disrupts or otherwise has a material adverse effect on trading in, or the issuance and sale of, Qualifying Securities;

(vi) an event occurs and is continuing as a result of which the offering document for the offer and sale of Qualifying Securities would, in the Company's reasonable judgment, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and either (1) the disclosure of that event at such time, in the Company's reasonable judgment, would have a material adverse effect on the Company's business or (2) the disclosure relates to a previously undisclosed proposed or pending material development or business transaction, the disclosure of which would impede the Company's ability to consummate such transaction, provided that no single suspension period contemplated by this clause (vi) shall exceed 90 consecutive days and multiple suspension periods contemplated by this subsection may not exceed an aggregate of 90 days in any 180-day period; or

(vii) the Company reasonably believes that the offering document for the offer and the sale of its Qualifying Securities would not be in compliance with a rule or regulation of the SEC (for reasons other than those described in clause (vi) above) and the Company is unable to comply with such rule or regulation or such compliance is unduly burdensome, provided that no single suspension period described in this clause (vii) shall exceed 90 consecutive days and multiple suspension periods described in this clause (vii) shall not exceed an aggregate of 90 days in any 180-day period.

"NYSE" mean the New York Stock Exchange, Inc.

"Officer" means the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer or the Secretary or any Assistant Treasurer or Assistant Secretary of the Company.

"Officer's Certificate" means a written certificate containing the information specified in Section 12.05, signed in the name of the Company by any Officer, and delivered to the Trustee. The Officer executing the Officer's Certificate pursuant to Section 4.03 shall be any of the principal executive officer, financial officer or accounting officer of the Company.

“Opinion of Counsel” means a written opinion containing the information specified in Section 12.05, from legal counsel who is acceptable to the Trustee. The counsel may be an employee of, or counsel to, the Company or the Trustee.

“Optional Deferral Period” has the meaning set forth in Section 2.09(i).

“Parity Debt Securities” means debt securities that rank, upon liquidation, pari passu with the Debentures.

“Parity Guarantees” means guarantees that rank, upon liquidation, pari passu with the Debentures.

“Permitted Remedies” means, with respect to any Preferred Stock, one or more of the following remedies:

(a) rights in favor of the holders of such securities permitting such holders to elect one or more directors of the Company (including any such rights required by the listing requirements of any stock or securities exchange on which such securities may be listed or traded); and

(b) complete or partial prohibitions on the Company paying Distributions on or repurchasing Common Stock or other securities that rank, upon liquidation, pari passu with or junior to such securities for so long as Distributions on such securities, including unpaid Distributions, remain unpaid.

“Person” or “person” means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

“Preferred Stock” means preferred stock of the Company.

“Preferred Stock Issuance Cap” has the meaning set forth in Section 4.06(iii).

“Principal Amount” of a Debenture means the Principal Amount as set forth on the face of the Debenture.

“Qualifying Preferred Stock” means non-cumulative perpetual preferred stock issued by the Company that (a) ranks pari passu with or junior to all of the Company’s other preferred stock, and (b) either (i) is subject to a Qualifying Replacement Capital Covenant or (ii) is subject to an intent-based replacement disclosure and has a provision that prohibits us from paying any dividends thereon upon our failure to satisfy one or more financial tests set forth therein, and (c) as to which the certificate of designation or similar charter document and any Qualifying Replacement Capital Covenant that the Company may enter into provide for no remedies as a consequence of non-payment of dividends other than Permitted Remedies.

“Qualifying Replacement Capital Covenant” means a replacement capital covenant, as identified by the Company’s Board of Directors acting in good faith and in its reasonable discretion, (i) of the type entered into by an issuer that at the time it enters into such replacement

capital covenant is a reporting company under the Exchange Act and (ii) that restricts the related issuer and its subsidiaries from redeeming, repaying or purchasing identified securities except to the extent of the applicable percentage of the net proceeds from the issuance of specified replacement capital securities that have terms and provisions at the time of redemption, repayment or purchase that are as or more equity-like than the securities then being redeemed, repaid or purchased within the 180-day period prior to the applicable redemption, repayment or purchase date.

"Qualifying Securities" means Common Stock, Qualifying Warrants and Qualifying Preferred Stock.

"Qualifying Warrants" are net share settled warrants to purchase the Company's Common Stock that have an exercise price greater than the Current Stock Market Price of the Company's Common Stock as of their date of issuance, that the Company is not entitled to redeem for cash and that the holders of which are not entitled to require the Company to repurchase for cash in any circumstance.

"Record Date" means, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

"Reference Dividend Amount" has the meaning set forth in Section 10.05(vi).

"Regular Quarterly Cash Dividend" shall mean any regular quarterly cash dividend paid in a single quarterly installment or any combination of cash dividends paid in any calendar quarter that are designated by the Company pursuant to a resolution of the Board of Directors as being portions of the Company's regular quarterly cash dividend and that are paid in lieu of a single regular quarterly cash dividend (provided that, in the case of a regular quarterly cash dividend paid in portions, the aggregate amount of such portions is no greater than the regular quarterly cash dividend paid in the immediately preceding calendar quarter).

"Replacement Capital Intention" means a public statement of intention by the Company, in filings made by the Company with the SEC, to the effect that the Company will only fund repurchases or other acquisitions of specified securities for cash, or make certain other cash payments in respect of such securities , out of the proceeds received by the Company or one of the Subsidiaries from the sale of replacement securities that are as or more equity-like than the specified securities, within the 180-day period prior to the purchase, acquisition or other payment.

"Representative" means any trustee, agent or representative (if any) for the issuance of the Debentures.

"Responsible Officer" means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee having direct responsibility for the administration of this Indenture.

“Restricted Global Security” means a Global Security that is a Restricted Security.

“Restricted Security” means a Debenture required to bear the Legend.

“Rule 144” means Rule 144 under the Securities Act or any successor to such Rule.

“Rule 144A” means Rule 144A under the Securities Act or any successor to such Rule.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended.

“Security Register” has the meaning set forth in Section 2.05.

“Senior Indebtedness” means the principal of, premium, if any, and interest on:

(a) all indebtedness of the Company, whether outstanding on the date of the issuance of the Debentures or thereafter created, incurred or assumed, which is for money borrowed, or which is evidenced by a note, bond, indenture or similar instrument;

(b) all of the Company’s obligations under leases required or permitted to be capitalized under GAAP;

(c) all of the Company’s reimbursement obligations with respect to any letter of credit, banker’s acceptance, security purchase facility or similar credit transactions;

(d) all of the Company’s conditional sales agreements or agreements or obligations to pay deferred purchase prices, other than in the ordinary course of business;

(e) all of the Company’s obligations under interest rate swap agreements, interest rate cap agreements, interest rate collar agreements and other agreements or arrangements designed to protect against fluctuations in interest rates or foreign exchange rates;

(f) all obligations of the types referred to in clauses (a) through (e) above of another Person, the payment of which the Company is responsible or liable for as obligor, guarantor or otherwise; and

(g) amendments, modifications, renewals, extensions, deferrals and refundings of any of the above types of indebtedness.

Senior Indebtedness shall continue to be Senior Indebtedness and to be entitled to the benefits of the subordination provisions of this Indenture irrespective of any amendment, modification or waiver of any term of the Senior Indebtedness, or any extension or renewal of the Senior Indebtedness. Notwithstanding anything to the contrary in the foregoing, Senior Indebtedness shall not include (i) trade accounts payable or indebtedness incurred for the purchase of goods, materials or property in the ordinary course of business, or for services obtained in the ordinary

course of business or for other liabilities arising in the ordinary course of business, (ii) any indebtedness which by its terms is expressly made *pari passu* with or subordinated to the Debentures or (iii) obligations of the Company owed to its Subsidiaries.

"Stated Maturity," when used with respect to any Debenture or any installment of interest thereon, means the date specified in such Debenture as the fixed date on which an amount equal to the Principal Amount of such Debenture or such installment of interest is due and payable.

"Stock Price" has the meaning set forth in Section 10.10(ii).

"Subsidiary" means (i) a corporation, a majority of whose Voting Stock is, at the date of determination, directly or indirectly owned by the Company, by one or more Subsidiaries of the Company, or by the Company and one or more Subsidiaries of the Company, (ii) a partnership in which the Company, a Subsidiary of the Company or the Company and one or more Subsidiaries of the Company, holds a majority interest in the equity capital or profits of such partnership, or (iii) any other person (other than a corporation or a partnership) in which the Company, a Subsidiary of the Company, or the Company and one or more Subsidiaries of the Company, directly or indirectly, at the date of determination, has at least a majority ownership interest. For the avoidance of doubt, as of the date of this Indenture, neither Sherman Financial Group LLC nor Credit-Based Asset Servicing and Securitization LLC are Subsidiaries of the Company as defined above.

"Termination of Trading" has the meaning set forth in Section 10.11(vii).

"TIA" means the Trust Indenture Act of 1939 as in effect on the date of this Indenture, *provided, however*, that in the event the TIA is amended after such date, TIA means, to the extent required by any such amendment, the TIA as so amended.

"Trading Day" in respect of the Common Stock or any other security means a day during which trading in securities generally occurs on the NYSE or, if the Company's Common Stock is not then listed on the NYSE, on the principal other national or regional securities exchange on which the Company's Common Stock is then listed or, if the Company's Common Stock is not listed on a national or regional securities exchange, on the principal other market on which the Company's Common Stock is then traded.

"Trigger Event" has the meaning set forth in Section 10.05.

"Trustee" means the party named as the "Trustee" in the first paragraph of this Indenture until a successor replaces it pursuant to the applicable provisions of this Indenture and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

"Volume-Weighted Average Price" per share of the Company's Common Stock on a Trading Day is the volume-weighted average price per share of the Company's Common Stock on the NYSE (or such other national securities exchange or automated quotation system on which the Common Stock is then listed or authorized for quotation or, if not so listed or authorized for quotation, an amount determined in good faith by the Company's Board of

Directors to be the Fair Market Value of the Common Stock, which determination shall be conclusive) from 9:30 A.M. to 4:00 P.M., New York City time, on that Trading Day, as displayed by Bloomberg or such other comparable service determined in good faith by the Company that has replaced Bloomberg.

"Voting Stock" means, with respect to any corporation, association, company or business trust, stock or other securities of the class or classes having general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of such corporation, association, company or business trust, *provided* that, for the purposes hereof, stock or other securities which carry only the right to vote conditionally on the happening of an event shall not be considered Voting Stock whether or not such event shall have happened.

SECTION 1.02. *Other Definitions*.

Term	Defined in Section
"Act"	1.04
"Agent Members"	2.16(v)
"Conversion Agent"	2.05(i)
"Conversion Rate Cap"	10.04(iii)
"Defaulted Interest"	11.02
"Event of Default"	6.01
"Legal Holiday"	12.09
"Legend"	2.16(i)
"Paying Agent"	2.05(i)
"Protected Purchaser"	2.11(i)
"Rating Agency"	2.18(v)
"Reference Price"	10.04(ii)
"Registrar"	2.05(i)
"Tax Event"	2.18(iv)
"Treasury Dealer"	2.18(iii)
"Treasury Price"	2.18(iii)
"Treasury Rate"	2.18(iii)
"Treasury Security"	2.18(iii)

SECTION 1.03. *Rules of Construction*. Unless the context otherwise requires:

(i) a term has the meaning assigned to it;

(ii) an accounting term not otherwise defined has the meaning assigned to it in accordance with United States generally accepted accounting principles as in effect from time to time;

(iii) "or" is not exclusive;

(iv) "including" means including, without limitation; and

(v) words in the singular include the plural, and words in the plural include the singular.

SECTION 1.04. *Acts of Holders*. Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments (which may take the form of an electronic writing or messaging or otherwise be in accordance with customary procedures of the Depositary or the Trustee) of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing (which may be in electronic form); and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent (either of which may be in electronic form) shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(i) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution (or electronic delivery) or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing or delivering such instrument or writing acknowledged to such officer the execution thereof (or electronic delivery). Where such execution is by a signer acting in a capacity other than such signer's individual capacity, such certificate or affidavit shall also constitute sufficient proof of such signer's authority. The fact and date of the execution of any such instrument or writing (electronic or otherwise), or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(ii) The ownership of Debentures shall be proved by the register for the Debentures maintained by the Registrar.

(iii) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Debenture shall bind every future Holder of the same Debenture and the holder of every Debenture issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Debenture.

(iv) If the Company shall solicit from the Holders any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to a resolution of the Board of Directors, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the Close of Business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of

the requisite proportion of outstanding Debentures have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the outstanding Debentures shall be computed as of such record date; *provided* that no such authorization, agreement or consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

ARTICLE 2

TERMS OF THE DEBENTURES

SECTION 2.01. *Designation and Principal Amount*. There is hereby authorized a series of Debentures designated the "9% Convertible Junior Subordinated Debentures due 2063," in the initial aggregate principal amount of up to $390,000,000; provided that the Company may, without the consent of the Holders, issue additional Debentures under this Indenture in an unlimited aggregate principal amount, provided that no such additional debentures may be issued unless fungible with the Debentures for U.S. federal income tax purposes and such additional Debentures issued in this manner will constitute a single series with the previously outstanding Debentures.

SECTION 2.02. *Issue Date; Maturity*. The Debentures shall mature on April 1, 2063 (the "Final Maturity Date"), except in the case of (i) prior conversion pursuant to Section 10.01 and Section 10.11 or (ii) the occurrence and continuation of an Event of Default as a result of which the Debentures are accelerated prior to maturity.

SECTION 2.03. *Form and Dating*. The Debentures and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A, which is a part of this Indenture. The Debentures may have notations, legends or endorsements required by law, stock exchange rule or usage (*provided* that any such notation, legend or endorsement required by usage is in a form acceptable to the Company). The Company shall provide any such notations, legends or endorsements to the Trustee in writing. Each Debenture shall be dated the date of its authentication. The Debentures are being offered and sold by the Company in transactions exempt from, or not subject to, the registration requirements of the Securities Act.

(i) *Restricted Global Securities*. All of the Debentures are initially being offered and sold to qualified institutional buyers as defined in Rule 144A in reliance on Rule 144A under the Securities Act and shall be issued initially in the form of one or more Restricted Global Securities, which shall be deposited on behalf of the purchasers of the securities represented thereby with the Trustee, at its Corporate Trust Office, as custodian for the Depositary, and registered in the name of its nominee, Cede & Co. (or any successor thereto), for the accounts of participants in the Depositary, duly executed by the Company and authenticated by the Trustee as hereinafter provided.

(ii) *Global Securities in General*. Each Global Security shall represent such of the outstanding Debentures as shall be specified therein and each shall provide that it shall represent the aggregate Principal Amount of outstanding Debentures from time to time endorsed thereon and that the aggregate Principal Amount of outstanding Debentures represented thereby may

from time to time be reduced or increased, as appropriate, to reflect exchanges, redemptions and conversions. Except as provided in this Section 2.03 or Sections 2.10 or 2.16, owners of beneficial interests in Global Securities will not be entitled to receive physical delivery of Certificated Securities.

Any adjustment of the aggregate Principal Amount of a Global Security to reflect the amount of any increase or decrease in the Principal Amount of outstanding Debentures represented thereby shall be made by the Trustee in accordance with instructions given by the Holder thereof as required by Section 2.16 hereof and shall be made on the records of the Trustee and the Depositary, subject in each case to compliance with Applicable Procedures.

(iii) *Book-Entry Provisions*. This Section 2.03(iii) shall apply only to Global Securities deposited with or on behalf of the Depositary. The Company shall execute and the Trustee shall, in accordance with this Section 2.03(iii), authenticate and deliver initially one or more Global Securities that (i) shall be registered in the name of the Depositary, (ii) shall be delivered by the Trustee to the Depositary or pursuant to the Depositary's instructions and (iii) shall bear legends substantially to the following effect:

"UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS, IN WHOLE BUT NOT IN PART, TO NOMINEES OF THE DEPOSITORY TRUST COMPANY OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN ARTICLE TWO OF THE INDENTURE REFERRED TO ON THE REVERSE HEREOF."

(iv) *Certificated Securities*. Debentures not issued as interests in the Global Securities will be issued in certificated form substantially in the form of Exhibit A attached hereto.

SECTION 2.04. *Execution and Authentication*.

(i) The Debentures shall be executed on behalf of the Company by any Officer. The signature of the Officer on the Debentures may be manual or facsimile.

(ii) Debentures bearing the manual or facsimile signatures of an individual who was at the time of the execution of the Debentures the proper Officer of the Company shall bind the Company, notwithstanding that such individual has ceased to hold such office prior to the authentication and delivery of such Debentures or did not hold such office at the date of authentication of such Debentures.

(iii) No Debenture shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Debenture a certificate of authentication substantially in the form provided for herein duly executed by the Trustee by manual signature of an authorized officer of the Trustee, and such certificate upon any Debenture shall be conclusive evidence, and the only evidence, that such Debenture has been duly authenticated and delivered hereunder.

(iv) Subject to the terms of Section 12.04 and 12.05 hereof, the Trustee shall authenticate and deliver Debentures for original issue in an aggregate Principal Amount of up to $390 million (subject to Section 2.11 hereof) upon a Company Order without any further action by the Company.

(v) The Debentures shall be issued only in registered form without coupons and only in denominations of $1,000 of Principal Amount and any integral multiple thereof.

(vi) The Trustee shall have the right to decline to authenticate and deliver any Debentures under this Section if the Trustee, being advised by counsel, determines that such action may not be lawfully taken or if the Trustee in good faith shall determine that such action would expose the Trustee to personal liability to existing Holders.

SECTION 2.05. *Registrar, Paying Agent and Conversion Agent.*

(i) The Company shall maintain an office or agency where Debentures may be presented for registration of transfer or for exchange for other Debentures ("Registrar"), an office or agency where Debentures may be presented for purchase or payment ("Paying Agent") and an office or agency where Debentures may be presented for conversion into Common Stock ("Conversion Agent"). The Registrar shall keep a register (each such register being sometimes referred to herein as the "Security Register") of the Debentures and of their registration of transfer and exchange. The Company may have one or more co-registrars, one or more additional paying agents and one or more additional conversion agents. The term Paying Agent includes any additional paying agent, including any named pursuant to Section 4.04. The term Conversion Agent includes any additional conversion agent, including any named pursuant to Section 4.04.

(ii) The Company shall enter into an appropriate agency agreement with any Registrar or co-registrar, Paying Agent or Conversion Agent (other than the Trustee). The agreement shall implement the provisions of this Indenture that relate to such agent. The Company shall notify the Trustee of the name and address of any such agent. If the Company fails to maintain a Registrar, Paying Agent or Conversion Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.07. The

Company or any Subsidiary or an Affiliate of either of them may act as Paying Agent, Registrar, Conversion Agent or co-registrar.

(iii) The Company initially appoints the Trustee as Registrar, Conversion Agent and Paying Agent in connection with the Debentures.

SECTION 2.06. *Paying Agent to Hold Money and Debentures in Trust*. Except as otherwise provided herein, by no later than 10:00 a.m., New York City time, on or prior to each due date of payments in respect of any Debenture, the Company shall deposit with the Paying Agent a sum of money (in immediately available funds if deposited on the due date) or Common Stock sufficient to make such payments when so becoming due. The Company shall require each Paying Agent (other than the Trustee) to agree in writing that the Paying Agent shall hold in trust for the benefit of Holders or the Trustee all money and Common Stock held by the Paying Agent for the making of payments in respect of the Debentures and shall notify the Trustee of any default by the Company in making any such payment. At any time during the continuance of any such default, the Paying Agent shall, upon the written request of the Trustee, forthwith pay to the Trustee all money and Common Stock so held in trust. If the Company or a Subsidiary or an Affiliate of either of them acts as Paying Agent, it shall segregate the money and Common Stock held by it as Paying Agent and hold it as a separate trust fund. The Company at any time may require a Paying Agent to pay all money and Common Stock held by it to the Trustee and to account for any funds and Common Stock disbursed by it. Upon doing so, the Paying Agent shall have no further liability for the money or Common Stock.

SECTION 2.07. *Securityholder Lists*. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders. If the Trustee is not the Registrar, the Company shall cause to be furnished to the Trustee at least semiannually on June 1 and December 1 a listing of Holders dated within 15 days of the date on which the list is furnished and at such other times as the Trustee may request in writing a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders.

SECTION 2.08. *Interest*.

(i) The Debentures will accrue interest from March 28, 2008 at a rate per annum of 9% (the “Debenture Interest Rate”) of the principal amount of $1,000 per Debenture, payable, subject to the provisions of Section 2.09, semi-annually in arrears on April 1 and October 1 of each year (each, an “Interest Payment Date”), commencing on October 1, 2008.

(A) The amount of interest payable for any Interest Payment Period will be computed as follows:

(x) for any full Interest Payment Period, on the basis of a 360-day year of twelve 30-day months;

(y) for any period shorter than a full Interest Payment Period, on the basis of 30-day months; and

(z) for any period shorter than a 30-day month, on the basis of the actual number of days elapsed in that period.

(B) In the event that any Interest Payment Date is not a Business Day, payment of the interest payable on such Interest Payment Date shall be made on the next succeeding day that is a Business Day without any interest or other payment in respect of any such delay.

(ii) Interest will accrue and compound semi-annually at the Debenture Interest Rate from and including the date of initial issuance or the last Interest Payment Date in respect of which interest has been paid or duly provided for, as applicable, to but excluding the next succeeding Interest Payment Date on which the interest is actually paid, the Conversion Date or the Final Maturity Date, as the case may be.

(iii) Interest not paid on any Interest Payment Date, including any interest deferred during any Optional Deferral Period, will accrue and compound semi-annually at the Debenture Interest Rate, to the extent permitted by applicable law. Subject to Section 2.08(i)(B), such interest shall accrue and compound to the date that it is actually paid.

(iv) For so long as the Debentures are held in book-entry-only form, interest shall be paid on each Interest Payment Date to the Person in whose name a given Debenture is registered in the Security Register at 5:00 p.m., New York City time, on the last Business Day prior to the Interest Payment Date (each such date a "Regular Record Date"). In the event that the Debentures are no longer held in book-entry-only form or are not represented by Global Securities, the Company may select different Regular Record Dates, which must each be at least one Business Day before the relevant Interest Payment Date.

SECTION 2.09. *Optional Deferral of Interest*.

(i) Subject to Section 4.06, as long as no Event of Default has occurred and is continuing, the Company shall have the right at any time and from time to time, to defer payments of interest on the Debentures by extending the Interest Payment Period on the Debentures for a period not exceeding 10 years, in the aggregate, following the Interest Payment Date on which interest was deferred (an "Optional Deferral Period"). During an Optional Deferral Period, deferred interest on the Debentures shall not be due and payable, but will continue to accrue and compound semi-annually to the extent permitted by applicable law at the Debenture Interest Rate.

(ii) An Optional Deferral Period shall terminate on such date as all accrued and unpaid interest, together with Compounded Interest, if any, has been paid by the Company, provided that in no event shall an Optional Deferral Period extend beyond the date which is 10 years following the commencement of the Optional Deferral Period, or beyond the Final Maturity Date of the Debentures. Upon termination of an Optional Deferral Period, the Company may commence a new Optional Deferral Period, subject to the other conditions in this Section 2.09, there being no limit to the number of such new Optional Deferral Periods the Company may elect.

(iii) During an Optional Deferral Period, the Company shall be subject to the covenants set forth in Section 4.05.

(iv) The Company shall give written notice of its election to defer payments of interest on the Debentures for an Optional Deferral Period, which such notice shall be irrevocable, at least 15 and not more than 60 days prior to the first Interest Payment Date during such Optional Deferral Period as follows:

(A) by first class mail, postage prepaid, addressed to the Holders of Debentures; or

(B) as to any Global Security registered in the name of DTC or its nominee, by e-mail, fax, or any other manner as agreed to by the Company and the Holders of any such Global Security.

A copy of any such notice to Holders of Debentures or Global Securities, if given by the Company, shall be mailed or delivered to the Trustee at the same time.

(v) The Company shall give written notice to the Holders of Debentures, with a copy to the Trustee, of its election to terminate an Optional Deferral Period at least 15 days but not more than 60 days prior to the Interest Payment Date upon which the Optional Deferral Period shall terminate and all Deferred Interest shall be paid.

(vi) By acquiring a Debenture or an interest therein, each Holder or beneficial owner of a Debenture, as the case may be, agrees that if there is an Event of Default pursuant to Section 6.01(i)(D) prior to the Final Maturity Date or conversion of the Debentures, any unpaid Deferred Interest, or Compounded Interest thereon, in excess of the amount of such interest that is equal to two years of accrued and unpaid interest (including Compounded Interest on the two earliest years of Deferred Interest) on the Debentures (the "Foregone Interest") shall not be due and payable and no such Holder or beneficial owner will have any claim for, and thus any right to receive, such Foregone Interest; provided that such limitation shall not reduce the amounts holders of Senior Indebtedness would have been entitled to receive in the absence thereof. Subject to the foregoing, any Deferred Interest will in all events be due and payable upon the Final Maturity Date.

(vii) At the termination of any Optional Deferral Period, the Company shall pay all Deferred Interest then accrued and unpaid, together with Compounded Interest, on the Interest Payment Date on which such Optional Deferral Period terminates. Unless otherwise terminated pursuant to Section 2.09(v), an Optional Deferral Period will be deemed to terminate upon any acceleration of the Final Maturity Date.

(viii) In no event shall any Optional Deferral Period (i) exceed 10 consecutive years following the first Interest Payment Date on which any interest payment was deferred pursuant to Section 2.09, (ii) unless Deferred Interest is satisfied using the Alternative Payment Mechanism, end on a date other than an Interest Payment Date, or (iii) extend beyond the Final Maturity Date or the earlier acceleration of the Debentures pursuant to Section 6.02. For purposes of determining compliance with the foregoing limitation on any Optional Deferral Period, (x) only when all Deferred Interest has been paid shall any Optional Deferral Period end; and (y) after the

commencement of an Optional Deferral Period, the period from the first Interest Payment Date for which interest is deferred pursuant to Section 2.09 and ending on the date on which all Deferred Interest, including Compounded Interest, is paid in full, shall be included for purposes of calculating the length of an Optional Deferral Period.

SECTION 2.10. *Transfer and Conversion*. Subject to Section 2.16 hereof:

(i) upon surrender for registration of transfer of any Debenture, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Holder or such Holder's attorney duly authorized in writing, at the office or agency of the Company designated as Registrar or co-registrar pursuant to Section 2.05, the Company shall execute, and the Trustee upon receipt of a Company Order shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Debentures of any authorized denomination or denominations, of a like aggregate Principal Amount. The Company shall not charge a service charge for any registration of transfer or exchange, but the Company or the Trustee may require payment of a sum sufficient to pay all taxes, assessments or other governmental charges that may be imposed in connection with the registration of transfer or exchange of the Debentures from the Holder requesting such registration of transfer or exchange.

At the option of the Holder, Certificated Securities may be exchanged for other Debentures of any authorized denomination or denominations, of a like aggregate Principal Amount, upon surrender of the Debentures to be exchanged, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Holder or such Holder's attorney duly authorized in writing, at such office or agency. Whenever any Debentures are so surrendered for exchange, the Company shall execute, and the Trustee upon receipt of a Company Order shall authenticate and deliver, the Debentures which the Holder making the exchange is entitled to receive.

(ii) Notwithstanding any provision to the contrary herein, so long as a Global Security remains outstanding and is held by or on behalf of the Depositary, transfers of a Global Security, in whole or in part, shall be made only in accordance with Section 2.16 and this Section 2.10(ii). Transfers of a Global Security shall be limited to transfers of such Global Security in whole, or in part, to nominees of the Depositary or to a successor of the Depositary or such successor's nominee.

(iii) Successive registrations and registrations of transfers and exchanges as aforesaid may be made from time to time as desired, and each such registration shall be noted on the register for the Debentures.

(iv) Any Registrar appointed pursuant to Section 2.05 hereof shall provide to the Trustee such information as the Trustee may reasonably require in connection with the delivery by such Registrar of Debentures upon registration of transfer or exchange of Debentures.

(v) No Registrar shall be required to make registrations of transfer or exchange of Debentures during any periods designated in the text of the Debentures or in this Indenture as periods during which such registration of transfers and exchanges need not be made.

SECTION 2.11. *Replacement Debentures*.

(i) If (A) any mutilated Debenture is surrendered to the Trustee, or (B) the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Debenture, and there is delivered to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Company or the Trustee that such Debenture has been acquired by a protected purchaser within the meaning of Article 8 of the Uniform Commercial Code as in effect from time to time in the State of New York (a "Protected Purchaser"), the Company shall execute and upon a Company Request the Trustee shall authenticate and deliver, in exchange for any such mutilated Debenture or in lieu of any such destroyed, lost or stolen Debenture, a new Debenture of like tenor and Principal Amount, bearing a number not contemporaneously outstanding.

(ii) In case any such mutilated, destroyed, lost or stolen Debenture has become or is about to become due and payable, or is about to be purchased by the Company pursuant to Article 10 hereof, the Company in its discretion may, instead of issuing a new Debenture, pay or purchase such Debenture, as the case may be.

(iii) Upon the issuance of any new Debentures under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

(iv) Every new Debenture issued pursuant to this Section in lieu of any mutilated, destroyed, lost or stolen Debenture shall constitute an original additional contractual obligation of the Company, whether or not the mutilated, destroyed, lost or stolen Debenture shall be at any time enforceable by anyone, and shall be entitled to all benefits of this Indenture equally and proportionately with any and all other Debentures duly issued hereunder.

(v) The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Debentures.

SECTION 2.12. *Outstanding Debentures; Determinations of Holders' Action*.

(i) Debentures outstanding at any time are all the Debentures authenticated by the Trustee except for those cancelled by it, those paid pursuant to Section 2.11 and delivered to it for cancellation and those described in this Section 2.12 as not outstanding. A Debenture does not cease to be outstanding because the Company or an Affiliate thereof holds the Debenture; *provided, however*, that in determining whether the Holders of the requisite Principal Amount of Debentures have given or concurred in any request, demand, authorization, direction, notice, consent or waiver hereunder, Debentures owned by the Company or any other obligor upon the Debentures or any Affiliate of the Company or such other obligor shall be disregarded and deemed not to be outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Debentures which a Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded. Subject to the foregoing, only Debentures outstanding at the time of such

determination shall be considered in any such determination (including, without limitation, determinations pursuant to Articles 6 and 9).

(ii) If a Debenture is replaced pursuant to Section 2.11, the replaced Debenture ceases to be outstanding unless the Trustee and the Company receive proof satisfactory to each of them that the replaced Debenture is held by a Protected Purchaser.

(iii) If the Paying Agent holds, in accordance with this Indenture, on Stated Maturity, money or securities, if permitted hereunder, sufficient to pay Debentures payable on that date, then immediately after such Stated Maturity, such Debentures shall cease to be outstanding and interest on such Debentures shall cease to accrue whether or not the Debenture is delivered to the Paying Agent.

(iv) If a Debenture is converted in accordance with Article 10, then from and after the time of conversion on the Conversion Date, such Debenture shall cease to be outstanding and interest shall cease to accrue on such Debenture.

SECTION 2.13. *Temporary Debentures*.

(i) Pending the preparation of definitive Debentures, the Company may execute, and the Trustee upon receipt of a Company Order shall authenticate and deliver, temporary Debentures which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Debentures in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Debentures may determine, as conclusively evidenced by their execution of such Debentures.

(ii) If temporary Debentures are issued, the Company will cause definitive Debentures to be prepared without unreasonable delay. After the preparation of definitive Debentures, the temporary Debentures shall be exchangeable for definitive Debentures upon surrender of the temporary Debentures at the office or agency of the Company designated for such purpose pursuant to Section 2.05, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Debentures, the Company shall execute and the Trustee upon receipt of a Company Order shall authenticate and deliver in exchange therefor a like Principal Amount of definitive Debentures of authorized denominations. Until so exchanged the temporary Debentures shall in all respects be entitled to the same benefits under this Indenture as definitive Debentures.

SECTION 2.14. *Cancellation*. All Debentures surrendered for payment, conversion or registration of transfer or exchange shall, if surrendered to any person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Debentures previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Debentures so delivered shall be promptly cancelled by the Trustee. The Company may not issue new Debentures to replace Debentures it has paid or delivered to the Trustee for cancellation or that any Holder has converted pursuant to Article 10. No Debentures shall be authenticated in lieu of or in exchange for any Debentures cancelled as provided in this Section, except as expressly

permitted by this Indenture. All cancelled Debentures held by the Trustee shall be disposed of by the Trustee in accordance with the Trustee's customary procedure.

SECTION 2.15. *Persons Deemed Owners*. Prior to due presentment of a Debenture for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Debenture is registered as the owner of such Debenture for the purpose of receiving payment of principal of the Debenture in respect thereof, and interest thereon, for the purpose of conversion and for all other purposes whatsoever, whether or not such Debenture be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 2.16. *Legend; Additional Transfer and Exchange Requirements*.

(i) If Debentures are issued upon the transfer, exchange or replacement of Debentures subject to restrictions on transfer and bearing the legends set forth in Section 2.16(vi) (collectively, the "Legend"), or if a request is made to remove the Legend on a Debenture, the Debentures so issued shall bear the Legend, or the Legend shall not be removed, as the case may be, unless there is delivered to the Company and the Registrar such satisfactory evidence, which shall include an Opinion of Counsel, as may be reasonably required by the Company and the Registrar, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of Rule 144A or Rule 144 under the Securities Act or that such Debentures are not "restricted" within the meaning of Rule 144 under the Securities Act. Upon provision of such satisfactory evidence if requested, the Trustee, upon Company Order, shall authenticate and deliver a Debenture that does not bear the Legend. If the Legend is removed from the face of a Debenture and the Debenture is subsequently held by an Affiliate of the Company, the Legend shall be reinstated. The Company will, as promptly as practicable after the date which is six months after the original issue date of any Debentures request that the Trustee authenticate and deliver Debentures that do not bear the Legend in exchange for any Debentures issued on such issue date that bear the Legend and shall provide to the Trustee a Company Order and an appropriate Opinion of Counsel.

(ii) Subject to Section 2.16(iii)(A) and in compliance with Section 2.16(iv), every Debenture shall be subject to the restrictions on transfer provided in the Legend. Whenever any Restricted Security other than a Restricted Global Security is presented or surrendered for registration of transfer or in exchange for a Debenture registered in a name other than that of the Holder, such Debenture must be accompanied by a certificate in substantially the form set forth in Exhibit A, dated the date of such surrender and signed by the Holder of such Debenture, as to compliance with such restrictions on transfer. The Registrar shall not be required to accept for such registration of transfer or exchange any Debenture not so accompanied by a properly completed certificate.

(iii) Notwithstanding any other provisions of this Indenture or the Debentures, (i) transfers of a Global Security, in whole or in part, shall be made only in accordance with Section 2.10 and Section 2.16(iii)(A), (ii) transfer of a beneficial interest in a Global Security for a Certificated Security shall comply with Section 2.10 and Section 2.16(iii)(B) below, and (iii) transfers of a Certificated Security shall comply with Section 2.10 and Section 2.16(iii)(C) and (D) below.

(A) Transfer of Global Security. A Global Security may not be transferred, in whole or in part, to any Person other than the Depositary or a nominee or any successor thereof, and no such transfer to any such other Person may be registered; *provided* that this clause (A) shall not prohibit any transfer of a Debenture that is issued in exchange for a Global Security but is not itself a Global Security. No transfer of a Debenture to any Person shall be effective under this Indenture or the Debentures unless and until such Debenture has been registered in the name of such Person. Nothing in this Section 2.16(iii)(A) shall prohibit or render ineffective any transfer of a beneficial interest in a Global Security effected in accordance with the other provisions of this Section 2.16(iii).

(B) Restrictions on Transfer of a Beneficial Interest in a Global Security for a Certificated Security. A beneficial interest in a Global Security may not be exchanged for a Certificated Security except upon satisfaction of the requirements set forth below. Upon receipt by the Trustee of a request for transfer of a beneficial interest in a Global Security in accordance with Applicable Procedures for a Certificated Security in the form satisfactory to the Trustee, together with written instructions to the Trustee to make, or direct the Registrar to make, an adjustment on its books and records with respect to such Global Security to reflect a decrease in the aggregate Principal Amount of the Debentures represented by the Global Security, such instructions to contain information regarding the Depositary account to be credited with such decrease, then the Trustee shall cause, or direct the Registrar to cause, in accordance with the standing instructions and procedures existing between the Depositary and the Registrar, the aggregate Principal Amount of Debentures represented by the Global Security to be decreased by the aggregate Principal Amount of the Certificated Security to be issued, shall authenticate and deliver such Certificated Security and shall debit or cause to be debited to the account of the Person specified in such instructions a beneficial interest in the Global Security equal to the Principal Amount of the Certificated Security so issued.

(C) Transfer and Exchange of Certificated Securities. When Certificated Securities are presented to the Registrar with a request:

(x) to register the transfer of such Certificated Securities; or

(y) to exchange such Certificated Securities for an equal Principal Amount of Certificated Securities of other authorized denominations,

the Registrar shall register the transfer or make the exchange as requested if its reasonable requirements for such transaction are met; provided, however, that the Certificated Securities surrendered for registration of transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer in form reasonably satisfactory to the Company and the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing.

(D) Restrictions on Transfer of a Certificated Security for a Beneficial Interest in a Global Security. A Certificated Security may not be exchanged for a beneficial interest in a Global Security except upon satisfaction of the requirements set forth below.

Upon receipt by the Trustee of a Certificated Security, duly endorsed or accompanied by appropriate instruments of transfer, in form satisfactory to the Trustee, together with written instructions directing the Trustee to make, or to direct the Registrar to make, an adjustment on its books and records with respect to such Global Security to reflect an increase in the aggregate Principal Amount of the Debentures represented by the Global Security, such instructions to contain information regarding the Depositary account to be credited with such increase, then the Trustee shall cancel such Certificated Security and cause, or direct the Registrar to cause, in accordance with the standing instructions and procedures existing between the Depositary and the Registrar, the aggregate Principal Amount of Debentures represented by the Global Security to be increased by the aggregate Principal Amount of the Certificated Security to be exchanged, and shall credit or cause to be credited to the account of the Person specified in such instructions a beneficial interest in the Global Security equal to the Principal Amount of the Certificated Security so cancelled. If no Global Securities are then outstanding, the Company shall issue and the Trustee upon receipt of a Company Order shall authenticate a new Global Security in the appropriate Principal Amount.

(iv) The restrictions imposed by the Legend upon the transferability of any Debenture shall cease and terminate when such Debenture has been transferred in compliance with Rule 144 under the Securities Act (or any successor provision thereto) or, if earlier, when the Debentures may be transferred under Rule 144 under the Securities Act without restriction. Any Debenture as to which such restrictions on transfer shall have expired in accordance with their terms or shall have terminated may, upon a surrender of such Debenture for exchange to the Registrar in accordance with the provisions of this Section 2.16 (accompanied, in the event that such restrictions on transfer have terminated by reason of a transfer in compliance with Rule 144 or any successor provision, by an Opinion of Counsel reasonably acceptable to the Company and the Registrar and addressed to the Company and the Registrar, to the effect that the transfer of such Debenture has been made in compliance with Rule 144 or such successor provision), be exchanged for a new Debenture, of like tenor and aggregate Principal Amount, which shall not bear the restrictive Legend. The Trustee or the Registrar shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the aforementioned Opinion of Counsel.

As used in Sections 2.16(ii) and (iv), the term “transfer” encompasses any sale, pledge, transfer, hypothecation or other disposition of any Debenture.

(v) The provisions of clauses (A), (B), (C), (D) and (E) below shall apply only to Global Securities:

(A) Notwithstanding any other provisions of this Indenture or the Debentures, except as provided in Section 2.16(iii)(B), a Global Security shall not be exchanged in whole or in part for a Debenture registered in the name of any Person other than the Depositary or one or more nominees thereof, *provided* that a Global Security may be exchanged for Debentures registered in the names of any person designated by the Depositary in the event that (i) the Depositary has notified the Company that it is unwilling or unable to continue as Depositary for such Global Security or such Depositary has ceased to be a “clearing agency” registered under the Exchange Act, and a successor Depositary is not appointed by the Company within 90 days or (ii) an Event of

Default has occurred and is continuing with respect to the Debentures. Any Global Security exchanged pursuant to clause (i) above shall be so exchanged in whole and not in part, and any Global Security exchanged pursuant to clause (ii) above may be exchanged in whole or from time to time in part as directed by the Depositary. Any Debenture issued in exchange for a Global Security or any portion thereof shall be a Global Security; *provided* that any such Debenture so issued that is registered in the name of a Person other than the Depositary or a nominee thereof shall not be a Global Security.

(B) Debentures issued in exchange for a Global Security or any portion thereof shall be issued in definitive, fully registered form, without interest coupons, shall have an aggregate Principal Amount equal to that of such Global Security or portion thereof to be so exchanged, shall be registered in such names and be in such authorized denominations as the Depositary shall designate and shall bear the applicable legends provided for herein. Any Global Security to be exchanged in whole shall be surrendered by the Depositary to the Trustee, as Registrar. With regard to any Global Security to be exchanged in part, either such Global Security shall be so surrendered for exchange or, if the Trustee is acting as custodian for the Depositary or its nominee with respect to such Global Security, the Principal Amount thereof shall be reduced, by an amount equal to the portion thereof to be so exchanged, by means of an appropriate adjustment made on the records of the Trustee. Upon any such surrender or adjustment, the Trustee shall authenticate and deliver the Debenture issuable on such exchange to or upon the order of the Depositary or an authorized representative thereof.

(C) Subject to the provisions of clause (E) below, the registered Holder may grant proxies and otherwise authorize any Person, including Agent Members (as defined below) and persons that may hold interests through Agent Members, to take any action which a holder is entitled to take under this Indenture or the Debentures.

(D) In the event of the occurrence of any of the events specified in clause (A) above, the Company will promptly make available to the Trustee a reasonable supply of Certificated Securities in definitive, fully registered form, without interest coupons.

(E) Neither any members of, or participants in, the Depositary (collectively, the “Agent Members”) nor any other Persons on whose behalf Agent Members may act shall have any rights under this Indenture with respect to any Global Security registered in the name of the Depositary or any nominee thereof, or under any such Global Security, and the Depositary or such nominee, as the case may be, may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner and holder of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or such nominee, as the case may be, or impair, as between the Depositary, its Agent Members and any other person on whose behalf an Agent Member may act, the operation of customary practices of such Persons governing the exercise of the rights of a holder of any Debenture.

(vi) Until the expiration of the holding period applicable to sales thereof under Rule 144 under the Securities Act (or any successor provision thereto), any stock certificate representing Common Stock issued upon conversion of any Debenture shall bear a legend in substantially the following form, unless such Common Stock has been issued upon conversion of Debentures that have been transferred pursuant to Rule 144 under the Securities Act (or any successor provision thereto), or unless otherwise agreed by the Company in writing with written notice thereof to the transfer agent:

THE COMMON STOCK EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS, AND, ACCORDINGLY, MAY NOT BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION UNDER THE SECURITIES ACT.

BY ITS ACQUISITION HEREOF, THE HOLDER AGREES TO OFFER, SELL OR OTHERWISE TRANSFER THE COMMON STOCK EVIDENCED HEREBY PRIOR TO THE DATE THAT IS SIX MONTHS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH MGIC INVESTMENT CORPORATION (THE "COMPANY") OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THE COMMON STOCK EVIDENCED HEREBY (OR ANY PREDECESSOR OF THE COMMON STOCK EVIDENCED HEREBY) (THE "RESALE RESTRICTION TERMINATION DATE") ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, OR (C) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRANSFER AGENT'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (C) PRIOR TO THE RESALE RESTRICTION TERMINATION DATE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS CERTIFICATE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRANSFER AGENT. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

Any such Common Stock as to which such restrictions on transfer shall have expired in accordance with their terms or as to which the conditions for removal of the foregoing legend set forth therein have been satisfied may, upon surrender of the certificates representing such shares of Common Stock for exchange in accordance with the procedures of the transfer agent for the Common Stock, be exchanged for a new certificate or certificates for a like number of shares of Common Stock, which shall not bear the restrictive legend required by this section.

(vii) Until the expiration of the holding period applicable to sales thereof under Rule 144 under the Securities Act (or any successor provision thereto), any certificate representing any Debenture shall bear a legend in substantially the following form, unless such Debenture has been transferred in compliance with Rule 144 under the Securities Act (or any successor provision thereto), or unless otherwise agreed by the Company in writing with written notice thereof to the transfer agent:

THIS NOTE AND THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR ANY STATE SECURITIES LAWS. NEITHER THIS NOTE, THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN OR THEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION.

BY ITS ACQUISITION HEREOF, THE HOLDER AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE PRIOR TO THE DATE WHICH IS SIX MONTHS AFTER THE LATER OF THE LAST ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) (THE "RESALE RESTRICTION TERMINATION DATE") ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

Any such Debenture as to which such restrictions on transfer shall have expired in accordance with their terms or as to which the conditions for removal of the foregoing legend set forth therein have been satisfied may, upon surrender of the certificates representing such Debenture for exchange in accordance with the procedures of the transfer agent, be exchanged

for a new certificate or certificates for a like amount of Debentures, which shall not bear the restrictive legend required by this section.

SECTION 2.17. *CUSIP Numbers*. The Company in issuing the Debentures may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; *provided* that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Debentures or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Debentures, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee in writing of any change in the CUSIP numbers.

SECTION 2.18. *Redemption*

(i) The Debentures:

(A) are redeemable prior to April 6, 2013, in whole but not in part, at the Company's option only within 90 days of the occurrence of a "tax event" or "rating agency event" (as defined below) at the redemption price set forth below;

(B) are redeemable on and after April 6, 2013 at the Company's option, in whole or in part from time to time, at a redemption price equal to 100% of the Principal Amount of the Debentures being redeemed plus any accrued and unpaid interest if the Closing Sale Price of the Company's Common Stock exceeds 130% of the then prevailing Conversion Price of the Debentures for at least 20 or the 30 Trading Days preceding notice of the redemption (and on the last of the Trading Days); and

(C) are not subject to any sinking fund or similar provisions.

(ii) In the case of any redemption prior to April 6, 2013, the redemption price will be equal to the greater of (A) 100% of the principal amount of the debentures being redeemed and (B) the present value of a principal payment on April 6, 2063 and scheduled payments of interest that would have accrued from the redemption date to April 6, 2063 on the debentures being redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Treasury Rate (as defined below) plus 50 basis points, in each case plus accrued and unpaid interest to the redemption date.

(iii) For the purposes of clause (ii)(B) above:

(A) "Treasury Rate" means the semi-annual equivalent yield to maturity of the "treasury security" that corresponds to the "treasury price" (calculated in accordance with standard market practice and computed as of the second trading day preceding the redemption date);

(B) "Treasury Security" means the United States Treasury security that the "treasury dealer" determines would be appropriate to use, at the time of determination and in accordance with standard market practice, in pricing the debentures being redeemed in a tender offer based on a spread to United States Treasury yields;

(C) “Treasury Price” means the bid-side price for the treasury security as of the third trading day preceding the redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York on that trading day and designated “Composite 3:30 p.m. Quotations for U.S. Government Securities”, except that: (i) if that release (or any successor release) is not published or does not contain that price information on that trading day; or (ii) if the treasury dealer determines that the price information is not reasonably reflective of the actual bid-side price of the treasury security prevailing at 3:30 p.m., New York City time, on that trading day, then treasury price will instead mean the bid-side price for the treasury security at or around 3:30 p.m., New York City time, on that trading day (expressed on a next trading day settlement basis) as determined by the treasury dealer through such alternative means as are commercially reasonable under the circumstances; and

(D) “Treasury Dealer” means Banc of America Securities LLC (or its successors) or, if Banc of America Securities LLC (or its successors) refuse to act as treasury dealers for this purpose or cease to be primary U.S. Government securities dealers, another nationally recognized investment banking firm that is a primary U.S. Government securities dealer specified by the Company for these purposes.

(iv) “Tax Event” means the receipt by the Company of an opinion of counsel experienced in such matters to the effect that, as a result of any:

(A) amendment to or change (including any officially announced proposed change) in the laws or regulations of the United States or any political subdivision or taxing authority of or in the United States that is effective on or after the date of issuance of the Debentures;

(B) official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced on or after the date of issuance of the Debentures; or

(C) threatened challenge asserted in connection with an audit of the Company or the Company’s Subsidiaries, or a threatened challenge asserted in writing against the Company, any of the Company’s Subsidiaries or any other taxpayer that has raised capital through the issuance of securities that are substantially similar to the Debentures and which securities were rated investment grade at the time of issue of such securities;

there is more than an insubstantial increase in the risk that interest payable by the Company on the Debentures is not, or within 90 days of the date of such opinion will not be, deductible by the Company, in whole or in part, for United States federal income tax purposes.

(v) “Rating Agency Event” means that any nationally recognized statistical rating organization within the meaning of Section 3(a)(62) under the Exchange Act that then publishes a rating for the Company (a “rating agency”) amends, clarifies or changes the criteria it uses to assign equity credit to securities such as the Debentures, which amendment, clarification or change results in:

(A) the shortening of the length of time the Debentures are assigned a particular level of equity credit by that rating agency as compared to the length of time they would have been assigned that level of equity credit by that rating agency or its predecessor on the issue date of the Debentures; or

(B) the lowering of the equity credit (including up to a lesser amount) assigned to the Debentures by that rating agency as compared to the equity credit assigned by that rating agency or its predecessor on the issue date of the Debentures.

(vi) Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder of Debentures to be redeemed at its registered address. Unless the Company defaults in payment of the redemption price and accrued interest, on and after the redemption date, interest will cease to accrue on the Debentures or portions thereof called for redemption.

(vii) The Company may not redeem the Debentures in part if the Principal Amount has been accelerated and such acceleration has not been rescinded or unless all accrued and unpaid interest, including deferred interest, has been paid in full on all outstanding Debentures for all interest periods terminating on or before the redemption date.

(viii) In the event of any redemption, neither the Company nor the Trustee will be required to:

(A) issue, register the transfer of, or exchange, Debentures during a period beginning at the opening of business 15 days before the day of selection for redemption of Debentures and ending at the Close of Business on the day of mailing of notice of redemption; or

(B) transfer or exchange any Debentures so selected for redemption, except, in the case of any Debentures being redeemed in part, any portion thereof not to be redeemed.

ARTICLE 3

SUBORDINATION

SECTION 3.01. *Agreement to Subordinate*. The Company agrees, and each Holder by accepting a Debenture agrees, that the payment of all obligations owing in respect of the Debentures is subordinated in right of payment, to the extent and in the manner provided in this Article Three, to the prior payment in full of all existing and future Senior Indebtedness of the Company and that the subordination is for the benefit of and enforceable by the holders of such Senior Indebtedness. All provisions of this Article 3 shall be subject to Section 3.11.

SECTION 3.02. *Liquidation, Dissolution, Bankruptcy*. All existing and future Senior Indebtedness, which will include, without limitation, interest accruing after the commencement of any proceeding, assignment or marshalling of assets described below, will first be paid in full before any payment, whether in cash, securities or other property, will be made by the Company on account of the Debentures in the event of:

(i) any insolvency, bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding relating to the Company or its property;

(ii) any proceeding for the liquidation, dissolution or other winding-up of the Company, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings;

(iii) any assignment by the Company for the benefit of creditors generally; or

(iv) any other marshalling of the Company's assets,

provided that this section will not limit the rights of the Holders to convert their Debentures into Common Stock (but not cash, other than in respect of fractional shares).

SECTION 3.03. *Default on Senior Indebtedness of the Company*. No direct or indirect payment, in cash, property or securities, by set-off or otherwise, may be made or agreed to be made on account of principal or interest on the Debentures, or in respect of any payment, retirement, purchase or other acquisition of the Debentures, if

(i) the Company defaults in the payment of any principal of (or premium, if any) or interest on any Senior Indebtedness, whether at maturity or at a date fixed for prepayment or upon acceleration or otherwise; or

(ii) an event of default occurs with respect to any Senior Indebtedness permitting the holders thereof to accelerate the maturity thereof and written notice of such event of default (requesting that payments on the Debentures cease) is given to the Company by the holders of Senior Indebtedness,

unless and until such default in payment or event of default has been cured or waived or ceases to exist; provided, however, this section shall in no event limit the rights of Holders to convert their Debentures into Common Stock (but not cash, other than in respect of fractional shares).

SECTION 3.04. *When Distribution Must Be Paid Over*. In the event that any payment or distribution of assets of the Company of any kind or character not permitted by this Article 3, whether in cash, property or securities, shall be received by the Trustee or the Holders of Debentures before all Senior Indebtedness is paid in full, or provision made for such payment, in accordance with its terms, at a time when a Responsible Officer of the Trustee or such Holder has actual knowledge that such payment should not have been made to it, such payment or distribution shall be held in trust for the benefit of, and, upon written request, shall be paid over or delivered to, the holders of such Senior Indebtedness or their agents or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any of such Senior Indebtedness may have been issued, as their respective interests may appear, for application to the payment of all Senior Indebtedness remaining unpaid to the extent necessary to pay all such Senior Indebtedness in full in accordance with its terms, after giving effect to any concurrent payment or distribution to the holders of such Senior Indebtedness.

SECTION 3.05. *Subrogation*. After all Senior Indebtedness of the Company is paid in full and until the Debentures are paid in full, to the extent such payment includes amounts that

would have been paid to Holders absent subordination, Holders shall be subrogated to the rights of holders of such Senior Indebtedness to receive distributions applicable to such Senior Indebtedness paid by virtue of such subordination. A distribution made under this Article 3 to holders of such Senior Indebtedness which otherwise would have been made to Holders is not, as between the Company and Holders, a payment by the Company on such Senior Indebtedness.

SECTION 3.06. *Relative Rights*. This Article 3 defines the relative rights of Holders and holders of Senior Indebtedness of the Company. Nothing in this Indenture shall:

(i) impair, as between the Company and Holders, the obligation of the Company, which is absolute and unconditional, to pay principal of and interest on the Debentures in accordance with their terms;

(ii) prevent the Trustee or any Holder from exercising its available remedies during an Event of Default, subject to the rights of holders of Senior Indebtedness of the Company to receive payments or distributions otherwise payable to Holders and such other rights of such holders of Senior Indebtedness as set forth herein; or

(iii) affect the relative rights of Holders and creditors of the Company other than their rights in relation to holders of Senior Indebtedness.

SECTION 3.07. *Subordination May Not Be Impaired by Company*. No right of any holder of Senior Indebtedness of the Company to enforce the subordination of the indebtedness evidenced by the Debentures shall be impaired by any act or failure to act by the Company or by their failure to comply with this Indenture.

SECTION 3.08. *Rights of Trustee and Paying Agent*. Notwithstanding Section 3.03 hereof, the Trustee or any Paying Agent may continue to make payments on the Debentures and shall not be charged with knowledge of the existence of facts that would prohibit the making of any payments unless, not less than two Business Days prior to the date of such payment, a Responsible Officer of the Trustee receives notice satisfactory to him that payments may not be made under this Article 3. The Company, the Registrar, the Paying Agent, a Representative or a holder of Senior Indebtedness of the Company shall be entitled to give the notice; provided, however, that, if an issue of Senior Indebtedness of the Company has a Representative, only the Representative shall be entitled to give the notice.

The Trustee in its individual or any other capacity shall be entitled to hold Senior Indebtedness of the Company with the same rights it would have if it were not Trustee. The Registrar and the Paying Agent shall be entitled to do the same with like rights. The Trustee shall be entitled to all the rights set forth in this Article 3 with respect to any Senior Indebtedness of the Company which may at any time be held by it, to the same extent as any other holder of such Senior Indebtedness; and nothing in this Article 3 shall deprive the Trustee of any of its rights as such holder. Nothing in this Article 3 shall apply to claims of, or payments to, the Trustee under any Section of this Indenture.

SECTION 3.09. *Distribution or Notice to Representative*. Whenever a distribution is to be made or a notice given to holders of Senior Indebtedness of the Company, the distribution may be made and the notice given to their Representative (if any).

SECTION 3.10. *Article 3 Not to Prevent Events of Default or Limit Right to Accelerate*. The failure to make a payment pursuant to the Debentures by reason of any provision in this Article 3 shall not be construed as preventing the occurrence of an Event of Default. Nothing in this Article 3 shall have any effect on the right of the Holders or the Trustee to accelerate the maturity of the Debentures.

SECTION 3.11. *Trust Moneys Not Subordinated*. Notwithstanding anything contained herein to the contrary, payments from cash held in trust by the Trustee for the payment of principal of and interest on the Debentures shall not be subordinated to the prior payment of any Senior Indebtedness of the Company or subject to the restrictions set forth in this Article 3, and none of the Holders shall be obligated to pay over any such amount to the Company or any holder of Senior Indebtedness of the Company or any other creditor of the Company, provided that the subordination provisions of this Article 3 were not violated at the time the applicable amounts were deposited in trust, as the case may be.

SECTION 3.12. *Trustee Entitled to Rely*. Upon any payment or distribution pursuant to this Article 3, the Trustee and the Holders shall be entitled to rely (a) upon any order or decree of a court of competent jurisdiction in which any proceedings of the nature referred to in Section 3.02 hereof are pending, (b) upon a certificate of the liquidating trustee or agent or other Person making such payment or distribution to the Trustee or to the Holders or (c) upon the Representatives of Senior Indebtedness of the Company for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of such Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 3. In the event that the Trustee determines, in good faith, that evidence is required with respect to the right of any Person as a holder of Senior Indebtedness of the Company to participate in any payment or distribution pursuant to this Article 3, the Trustee shall be entitled to request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of such Senior Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and other facts pertinent to the rights of such Person under this Article 3, and, if such evidence is not furnished, the Trustee shall be entitled to defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

SECTION 3.13. *Trustee to Effectuate Subordination*. A Holder by its acceptance of a Debenture agrees to be bound by this Article 3 and authorizes and expressly directs the Trustee, on his behalf, to take such action as may be necessary or appropriate to effectuate the subordination between the Holders and the holders of Senior Indebtedness of the Company as provided in this Article 3 and appoints the Trustee as attorney-in-fact for any and all such purposes.

SECTION 3.14. *Trustee Not Fiduciary for Holders of Senior Indebtedness of the Company*. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness of the Company and shall not be liable to any such holders if it shall mistakenly pay over or distribute to Holders or the Company or any other Person, money or assets to which any holders of Senior Indebtedness of the Company shall be entitled by virtue of this Article 3 or otherwise.

SECTION 3.15. *Reliance by Holders of Senior Indebtedness of the Company on Subordination Provisions*. Each Holder by accepting a Debenture acknowledges and agrees that the foregoing subordination provisions are, and are intended to be, an inducement and a consideration to each holder of any Senior Indebtedness of the Company, whether such Senior Indebtedness was created or acquired before or after the issuance of the Debentures, to acquire and continue to hold, or to continue to hold, such Senior Indebtedness and such holder of such Senior Indebtedness shall be deemed conclusively to have relied on such subordination provisions in acquiring and continuing to hold, or in continuing to hold, such Senior Indebtedness.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Indebtedness of the Company may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders, without incurring responsibility to the Trustee or the Holders and without impairing or releasing the subordination provided in this Article 3 or the obligations hereunder of the Holders to the holders of the Senior Indebtedness of the Company, do any one or more of the following: (a) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, Senior Indebtedness of the Company, or otherwise amend or supplement in any manner Senior Indebtedness of the Company, or any instrument evidencing the same or any agreement under which Senior Indebtedness of the Company is outstanding; (b) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Senior Indebtedness of the Company; (c) release any Person liable in any manner for the payment or collection of Senior Indebtedness of the Company; and (d) exercise or refrain from exercising any rights against the Company and any other Person.

ARTICLE 4

COVENANTS

SECTION 4.01. *Payment of Debentures*. The Company shall promptly make all payments of principal of, premium, if any, and interest in respect of the Debentures on the dates and in the manner provided in the Debentures or pursuant to this Indenture. Any amounts to be given to the Trustee or Paying Agent, shall be deposited with the Trustee or Paying Agent by 10:00 a.m., New York City time, on the date when due by the Company. Principal Amount and interest, shall be considered paid on the applicable date due if on such date the Trustee or the Paying Agent holds, in accordance with this Indenture, money or securities, if permitted hereunder, sufficient to pay all such amounts then due.

The Company shall, to the extent permitted by law, pay interest on overdue amounts at the rate per annum set forth in paragraph 1 of the Debentures, compounded semiannually, which interest shall accrue from the date such overdue amount was originally due to the date payment of such amount, including interest thereon, has been made or duly provided for.

SECTION 4.02. *SEC and Other Reports*. The Company shall deliver to the Trustee, within 15 days after it is required to file the same with the SEC, after giving effect, to the extent applicable, any extension permitted by Rule 12b-25 under the Exchange Act, copies of the annual and quarterly reports and of the information, documents and other reports(or copies of such portions of any of the foregoing as the SEC may from time to time by rules and regulations

prescribe) which the Company may be required to file with the SEC, pursuant to Section 13 or Section 15(d) of the Exchange Act, provided, however, that the Company will not be required to deliver to the Trustee any materials for which it has sought and obtained confidential treatment from the SEC. Documents filed by the Company with the SEC via the EDGAR system will be deemed filed with the Trustee as of the time such documents are filed with EDGAR. If the Company is not required to file information, documents or reports pursuant to Section 13 or Section 15(d) of the Exchange Act, it will file with the Trustee and, unless the SEC will not accept such a filing, the SEC, in accordance with rules and regulations prescribed from time to time by the SEC, such periodic reports and other documents which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations. The Company also shall comply with the other provisions of TIA Section 314(a). Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of the same shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officer's Certificates).

SECTION 4.03. *Compliance Certificate*. The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company (beginning with the fiscal year ending on December 31, 2008) an Officer's Certificate, stating whether or not to the knowledge of the signers thereof the Company is in default in the performance and observance of any of the terms, provisions and conditions of this Indenture (without regard to any period of grace or requirement of notice provided hereunder) and if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge.

SECTION 4.04. *Maintenance of Office or Agency*. The Company will maintain an office or agency of the Trustee, Registrar, Paying Agent and Conversion Agent where Debentures may be presented or surrendered for payment, where Debentures may be surrendered for registration of transfer, exchange for other Debentures, purchase or conversion for Common Stock and where notices and demands to or upon the Company in respect of the Debentures and this Indenture may be served. The Trustee's office specified in Section 12.02 shall initially be such office or agency for all of the aforesaid purposes. The Company shall give prompt written notice to the Trustee of the location, and of any change in the location, of any such office or agency (other than a change in the location of the office of the Trustee). If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the address of the Trustee set forth in Section 12.02.

The Company may also from time to time designate one or more other offices or agencies where the Debentures may be presented or surrendered for any or all such purposes and may from time to time rescind such designations.

SECTION 4.05. *Limitation on Payments*. On any date on which accrued interest through the most recent interest payment date has not been paid in full, including during any Optional Deferral Period, and until such time as all accrued but unpaid interest, together with any

Compounded Interest thereon, is paid in full, the Company shall not (and shall not permit any Subsidiary to):

(i) declare or pay any dividends on, make distributions regarding, or redeem, purchase, acquire or make a liquidation payment with respect to, any shares of capital stock of the Company, other than:

(A) purchases of the Company's capital stock in connection with employee or agent benefit plans or under any dividend reinvestment plan;

(B) purchases or repurchases of shares of the Company's capital stock pursuant to a contractually binding requirement to buy stock existing prior to the commencement of the Optional Deferral Period, including under a contractually binding stock repurchase plan;

(C) in connection with the reclassification of any class or series of the Company's capital stock, or the exchange or conversion of one class or series of the Company's capital stock for or into another class or series of the Company's capital stock, in each case where the resulting capital stock ranks, upon liquidation, equal to or junior to the capital stock so reclassified, exchanged or converted;

(D) the purchase of fractional interests in shares of the Company's capital stock in connection with the conversion or exchange provisions of that capital stock or the security being converted or exchanged;

(E) dividends or distributions in the form of the Company's capital stock or rights to acquire the Company's capital stock, where the dividend stock or stock underlying the dividend rights is the same class as the stock on which the dividend is being paid or ranks, upon liquidation, equal to or junior to such stock;

(F) any declaration of a dividend in connection with the implementation of a shareholders' rights plan, or issuances of capital stock under any such plan in the future, or redemptions or repurchases of any rights outstanding under a shareholders' rights plan; or

(G) the payment of any dividend during an Optional Deferral Period within 60 days after the date of declaration thereof, if at the date of declaration no Optional Deferral Period was in effect.

(ii) make any payment of principal of, or interest or premium, if any, on, or pay, repurchase or redeem any Parity Debt Securities or Junior Debt Securities, other than (i) any payment, repurchase or redemption in respect of Parity Debt Securities made ratably and in proportion to the respective amounts of (1) accrued and unpaid amounts on such Parity Debt Securities, on the one hand, and (2) accrued and unpaid amounts on the Debentures, on the other hand, (ii) any payments of principal or current or deferred interest on Parity Debt Securities that, if not made, would cause the Company to breach the terms of the instrument governing such Parity Debt Securities (provided that such payments are made in accordance with Section 4.06(ii), to the extent applicable), or (iii) the exchange or conversion of one class or series of

Parity Debt Securities or Junior Debt Securities for or into another class or series of the Company's securities, in each case if the resulting securities rank, upon liquidation, pari passu with or junior to the securities so exchanged or converted; or

(iii) make any guarantee payments with respect to any guarantee by the Company of the debt securities of any Subsidiary, if such guarantee ranks, upon liquidation, pari passu with or junior to the Debentures, other than any payment in respect of Parity Guarantees made ratably and in proportion to the respective amounts of (1) accrued and unpaid amounts on such Parity Guarantees, on the one hand, and (2) accrued and unpaid amounts on the Debentures, on the other hand.

SECTION 4.06. *Alternative Payment Mechanism*.

(i) If the Company defers interest on the Debentures, the Company shall be required, not later than (i) the Business Day immediately following the first Interest Payment Date during an Optional Deferral Period on which it elects to pay current interest or (ii) if earlier, the Business Day following the fifth anniversary of the commencement of an Optional Deferral Period, to use its commercially reasonable efforts to begin selling to persons that are not Affiliates of the Company Qualifying Securities (the "Alternative Payment Mechanism").

(ii) The Company shall be required pursuant to the Alternative Payment Mechanism, with respect to any subsequent Interest Payment Date during an Optional Deferral Period until the Deferred Interest has been paid in full, to use its commercially reasonable efforts to sell Qualifying Securities until it has raised an amount of Eligible Proceeds that, together with the net proceeds of any sales of Qualifying Securities within the 180 days preceding such Interest Payment Date, is sufficient to pay the Deferred Interest (including Compounded Interest) on such Interest Payment Date, provided that, if, due to a Market Disruption Event or otherwise, the Company is able to raise some, but not all, of the Eligible Proceeds from the sale of Qualifying Securities necessary to pay all Deferred Interest (including Compounded Interest) on any Interest Payment Date, the Company shall apply any such available net proceeds on such Interest Payment Date to pay accrued and unpaid installments of interest in chronological order, beginning with the optionally Deferred Interest relating to the earliest Interest Payment Date with respect to which interest has been deferred. The Company shall not pay Deferred Interest (including Compounded Interest) on the Debentures from any source other than the Eligible Proceeds from the sale of Qualifying Securities, except at the Final Maturity Date, at the tenth anniversary of the commencement of any Optional Deferral Period or upon the occurrence of an Event of Default. The Company must use commercially reasonable efforts to increase its authorized Preferred Stock or Common Stock, as the case may be, so that it has sufficient authorized Preferred Stock and Common Stock to fulfill its obligations in respect of the Alternative Payment Mechanism.

(iii) The Company shall not be required to issue Common Stock or Qualifying Warrants prior to the fifth anniversary of the commencement of any Optional Deferral Period pursuant to the Alternative Payment Mechanism to the extent that the net proceeds of any issuance of Common Stock or Qualifying Warrants applied to pay such interest together with the net proceeds of all prior issuances of Common Stock and Qualifying Warrants during such Optional Deferral Period so applied, would exceed 2% of the product of the average of the

Current Stock Market Prices of the Company's Common Stock on 10 consecutive Trading Days ending on the second Trading Day immediately preceding the date of issuance of such securities multiplied by the total number of issued and outstanding shares of the Company's Common Stock as of the date of the Company's then most recent publicly available consolidated financial statements (the "2% Issuance Cap"). In addition, the Company may not issue Qualifying Preferred Stock if the net proceeds of any issuance of Qualifying Preferred Stock applied to pay interest, together with the net proceeds of all prior issuances of Qualifying Preferred Stock so applied, would exceed 25% of the aggregate Principal Amount of the Debentures (the "Preferred Stock Issuance Cap").

(iv) Once the Company reaches the 2% Issuance Cap for any Optional Deferral Period, the Company shall not be required to issue more Common Stock or Qualifying Warrants prior to the fifth anniversary of the commencement of such Optional Deferral Period even if the 2% Issuance Cap would have increased because of a subsequent increase in the Current Stock Market Price or in the number of outstanding shares of the Company's Common Stock. The 2% Issuance Cap shall cease to apply following the fifth anniversary of the commencement of any Optional Deferral Period, at which point the Company must pay any Deferred Interest, regardless of the time at which it was deferred, using the Alternative Payment Mechanism, subject to the Preferred Stock Issuance Cap, the Maximum Share Cap and any Market Disruption Event. For the avoidance of doubt, if the 2% Issuance Cap has been reached during an Optional Deferral Period and the Company subsequently pays all deferred payments (including Compounded Interest thereon), the 2% Issuance Cap shall cease to apply, and shall only apply again once the Company starts a new Optional Deferral Period. The Preferred Stock Issuance Cap and the Maximum Share Cap shall each apply so long as the Debentures remain outstanding.

(v) The Company shall not be required to issue Common Stock or Qualifying Warrants pursuant to the Alternative Payment Mechanism to the extent that the total number of shares of the Company's Common Stock issued or underlying such Qualifying Warrants, together with all prior issuances of Common Stock and Qualifying Warrants, exceeds 10 million shares (subject, in the case of warrants, to customary anti-dilution adjustments) (the "Maximum Share Cap"). The Company shall use its commercially reasonable efforts to increase the Maximum Share Cap from time to time to a number of shares that would allow the Company to satisfy its obligations with respect to the Alternative Payment Mechanism. The Maximum Share Cap shall be adjusted proportionately for any change in the number of outstanding shares of the Company's Common Stock by reason of any stock split, reverse stock split, stock dividend, reclassification, recapitalization, split-up, combination, exchange of shares or other similar transaction, effective upon the effective date of any such transaction.

(vi) If, due to a Market Disruption Event, the 2% Issuance Cap, Preferred Stock Issuance Cap, Maximum Share Cap or otherwise, the Company was able to raise some, but not all, Eligible Proceeds necessary to pay all Deferred Interest (including Compounded Interest thereon) on any Interest Payment Date, the Company shall apply any available Eligible Proceeds to pay accrued and unpaid installments of interest on the applicable Interest Payment Date in chronological order beginning with Deferred Interest relating to the earliest Interest Payment Date with respect to which interest has been deferred and each Holder shall be entitled to receive its pro rata share of any amounts received on the Debentures. If the Company has outstanding securities in addition to, and that rank, upon liquidation, pari passu with, the Debentures under

which the Company is obligated to sell Qualifying Securities and apply the net proceeds to the payment of deferred interest or distributions, then on any date and for any period the amount of net proceeds received by the Company from those sales and available for payment of the Deferred Interest and distributions shall be applied to the Debentures and such other securities on a pro rata basis in proportion to the total amounts that are due on the Debentures and such securities.

(vii) The Company's ability to issue Common Stock to satisfy its obligation to pay Deferred Interest will be subject to the same limitations as those limiting the Company's ability to sell Qualifying Warrants, including the limitations on selling Qualifying Securities at a time when a Market Disruption Event exists or when the 2% Issuance Cap or the Maximum Share Cap is exceeded.

(viii) The Company shall not be required to sell or use commercially reasonable efforts to sell Qualifying Securities in accordance with the Alternative Payment Mechanism during any semi-annual period preceding any Interest Payment Date to the extent it provides written certification to the Trustee (which the Trustee shall promptly forward upon receipt to each Holder of record of Debentures) no more than 30 and no less than 15 days in advance of such Interest Payment Date certifying that:

(A) a Market Disruption Event was existing after the immediately preceding Interest Payment Date, and

(B) either (i) the Market Disruption Event continued for the entire period from the Business Day immediately following the preceding Interest Payment Date to the Business Day immediately preceding the date on which that certification is provided or (ii) the Market Disruption Event continued for only part of such period, but the Company was unable after commercially reasonable efforts to raise sufficient Eligible Proceeds during the rest of such period to pay all accrued and unpaid interest.

(ix) If the Company is involved in a business combination where immediately after its consummation more than 50% of the surviving entity's voting stock is owned by the shareholders of the other party to the business combination, then the Alternative Payment Mechanism shall not apply to any Optional Deferral Period that is terminated on the next Interest Payment Date following the date of consummation of the business combination (or, if later, at any time within 90 days following the date of consummation of the business combination).

(x) Neither the 2% Issuance Cap nor the Preferred Stock Cap shall relieve the Company of its obligation to issue the number of Qualifying Securities that the Company can issue without breach thereof and to apply the proceeds thereof in partial payment of Deferred Interest.

(xi) If an Event of Default occurs and is continuing, (i) the Company will not be required to sell Qualifying Securities to make payments on Deferred Interest pursuant to the Alternative Payment Mechanism, and (ii) the Company may make payments on Deferred Interest using cash from any source.

SECTION 4.07. *Covenant Against Repurchases*. If any Optional Deferral Period lasts longer than one year, the Company will not repurchase any Qualifying Securities sold pursuant to the Alternative Payment Mechanism or any securities that are, in respect of liquidation, pari passu with or junior to such securities (including, without limitation, the Company's Common Stock), until the first anniversary of the date on which all Deferred Interest on the Debentures, and Compounded Interest thereon, has been paid, subject to the same exceptions as provided for in Section 4.05(i). Failure by the Company to adhere to this requirement will constitute a Covenant Breach but not an Event of Default. If the Company is involved in a business combination where immediately after its consummation more than 50% of the surviving entity's voting stock is owned by the shareholders of the other party to the business combination, then the one-year restriction on such repurchases will not apply to any Optional Deferral Period that is terminated on the next Interest Payment Date following the date of consummation of the business combination (or if later, at any time within 90 days following the date of consummation of the business combination).

SECTION 4.08. *Responsibility of Trustee for Conversion Provisions*. Except as expressly provided otherwise, all calculations under this Indenture shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. Except as expressly provided otherwise, the Company will be responsible for making all calculations and determinations called for under this Indenture. The Company or its agent will make those calculations and determinations in good faith, and, absent manifest error, such calculations and determinations will be final and binding on the Holders and the Trustee and the Conversion Agent shall have no responsibility with respect thereto. The Company will provide a schedule of these calculations and determinations to the Trustee and the Conversion Agent, and the Trustee and the Conversion Agent shall be entitled to rely upon the accuracy of these calculations without independent verification thereof.

The Trustee and any Conversion Agent shall not at any time be under any duty or responsibility to any Holder of Debentures to determine whether any facts exist that may require a supplemental indenture to be executed in accordance with this Indenture or any adjustment of the Conversion Rate, or with respect to the nature or intent of any such adjustments when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. Neither the Trustee nor any Conversion Agent shall be accountable with respect to the validity or value (of the kind or amount) of any Common Stock, or of any other securities or property, that may at any time be issued or delivered upon the conversion of any Debenture; and it or they do not make any representation with respect thereto. Neither the Trustee nor any Conversion Agent shall be responsible for any failure of the Company to make any cash payment or to issue, transfer or deliver any shares of Common Stock or share certificates or other securities or property upon the surrender of any Debenture for the purpose of conversion; and the Trustee and any Conversion Agent shall not be responsible or liable for any failure of the Company to comply with any of the covenants of the Company contained in this Article. The Trustee and the Conversion Agent shall be fully protected in relying upon the Officer's Certificate furnished pursuant to this Indenture.

ARTICLE 5

SUCCESSOR PERSON

SECTION 5.01. *When Company May Merge or Transfer Assets*. The Company shall not consolidate with or merge with or into any other person or convey, transfer (other than by pledge) or lease all or substantially all its properties and assets to another person, unless:

(i) either (1) the Company shall be the continuing person or (2) the person (if other than the Company) formed by such consolidation or into which the Company is merged or the person which acquires by conveyance, transfer or lease all or substantially all the properties and assets of the Company (A) shall be organized and validly existing under the laws of the United States, any State thereof or the District of Columbia and (B) shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, all of the obligations of the Company under the Debentures and this Indenture;

(ii) immediately after giving effect to such transaction, no Event of Default shall have occurred and be continuing; and

(iii) the Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with this Article 5 and that all conditions precedent herein provided for relating to such transaction have been satisfied.

For purposes of the foregoing, the conveyance, transfer (other than by pledge) or lease of the properties and assets of one or more Subsidiaries (other than to the Company or another Subsidiary), which, if such assets were owned by the Company, would constitute all or substantially all of the properties and assets of the Company, shall be deemed to be the conveyance, transfer or lease of all or substantially all of the properties and assets of the Company.

The successor person formed by such consolidation or into which the Company is merged or the successor person to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor had been named as the Company herein; and thereafter the Company shall be discharged from all obligations and covenants under this Indenture and the Debentures. Subject to Section 9.06, the Company, the Trustee and the successor person shall enter into a supplemental indenture to evidence the succession and substitution of such successor person and such discharge and release of the Company.

ARTICLE 6

DEFAULTS AND REMEDIES

SECTION 6.01. *Events of Default*.

(i) An "Event of Default" with respect to the Debentures shall mean:

(A) default in the payment of accrued interest in full on the Debentures on any Interest Payment Date (whether or not such Interest Payment Date commenced an Optional Deferral Period) and the Company's failure on or before the conclusion of a ten-year period following such Interest Payment Date to pay interest (including Compounded Interest) then accrued in full;

(B) default in the payment of the principal of the Debentures when due, whether on the Final Maturity Date, upon redemption, upon a declaration of acceleration or otherwise;

(C) default in the Company's obligation to satisfy its conversion obligation upon exercise of a Holder's conversion right, which default continues for 15 days after performance is due;

(D) (i) the commencement by the Company of a voluntary case or proceeding under any applicable U.S. federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or (ii) the consent by the Company to (I) the entry of a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable U.S. federal or state bankruptcy, insolvency, reorganization or other similar law or to (II) the commencement of any bankruptcy or insolvency case or proceeding against the Company, or (iii) the filing by the Company of a petition or answer or consent seeking reorganization or relief under any applicable U.S. federal or state bankruptcy, insolvency, reorganization or other similar law, or (iv) the consent by the Company to the filing of such petition or to the appointment of or the taking possession by a custodian of the Company or of any substantial part of its properties, or (v) the making by the Company of an assignment for the benefit of creditors generally, or (vi) the admission by the Company in writing of their inability to pay its debts generally as they become due.

(ii) Upon an Event of Default pursuant to Section 6.01 (i)(D) prior to the Final Maturity Date or conversion of the Debentures no Holder or beneficial owner of a Debenture, as the case may be, shall have any claim for, or right to receive, any Foregone Interest and any Foregone Interest shall not be due and payable.

(iii) For the avoidance of doubt, the use of sources of funding other than the Alternative Payment Mechanism to fund payments of Deferred Interest following the date that is five years following the first Interest Payment Date as of which the Company commenced an Optional Deferral Period, shall not constitute an Event of Default, but a Covenant Breach.

SECTION 6.02. *Acceleration*. If an Event of Default (other than an Event of Default specified in Section 6.01(i)(D) in respect of the Company) occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25% in aggregate Principal Amount of the Debentures at the time outstanding by notice to the Company and the Trustee, may declare the Principal Amount through the date of declaration, and any accrued and unpaid interest through the date of such declaration, on all the Debentures to be immediately due and payable. Upon such a declaration, such Principal Amount, and such accrued and unpaid interest if any, shall be due and payable immediately. If an Event of Default specified in Section 6.01(i)(D) in respect of the Company occurs and is continuing, the Principal Amount plus accrued and unpaid interest if any, on all the Debentures shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. The Holders of a majority in aggregate Principal Amount of the Debentures at the time outstanding, by notice to the Trustee (and without notice to any other Holder) may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived except nonpayment of the Principal Amount that has become due solely as a result of acceleration and if all amounts due to the Trustee under Section 7.07 have been paid. No such rescission shall affect any subsequent Event of Default or impair any right consequent thereto.

SECTION 6.03. *Other Remedies*. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of the Principal Amount plus any accrued and unpaid interest if any, on the Debentures or to enforce the performance of any provision of the Debentures or this Indenture. The Trustee may maintain a proceeding even if the Trustee does not possess any of the Debentures or does not produce any of the Debentures in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of, or acquiescence in, the Event of Default. Except as set forth in Section 2.11 hereof, no remedy is exclusive of any other remedy. All available remedies are cumulative.

SECTION 6.04. *Waiver of Past Defaults*. Subject to Section 6.02, the Holders of not less than a majority in aggregate Principal Amount of the Debentures at the time outstanding may on behalf of the Holders of all of the Debentures waive any past Covenant Breach, default or Event of Default hereunder with respect to the Debentures and its consequences, except a default

(i) in the payment of interest on, or the principal of, any of the Debentures or

(ii) a default arising from the Company’s failure to convert any Debenture at the option of a Holder in accordance with the Indenture or any supplemental indenture or

(iii) in respect of a provision of this Indenture that, under Article 9, cannot be modified or amended without the consent of each Holder of each Debenture affected by such modification or amendment.

Upon any such waiver the Company, the Trustee and the Holders of the Debentures shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other Covenant Breach, default or Event of Default or impair any

right consequent thereon. Whenever any Covenant Breach, default or Event of Default hereunder shall have been waived as permitted by this Section 6.04, said Covenant Breach, default or Event of Default shall for all purposes of the Debentures and this Indenture be deemed to have been cured and to be not continuing.

SECTION 6.05. *Control by Majority*. The Holders of a majority in aggregate Principal Amount of the Debentures at the time outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or that the Trustee determines in good faith is unduly prejudicial to the rights of other Holders or could, in reasonable likelihood, impose personal liability upon the Trustee unless the Trustee is offered indemnity reasonably satisfactory to it. This Section 6.05 shall be in lieu of Section 316(a)1(B) of the TIA and such Section 316(a)1(B) is hereby expressly excluded from this Indenture, as permitted by the TIA.

SECTION 6.06. *Limitation on Suits*.

(i) No Holder of a Debenture shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless (i) (A) such Holder previously shall have given to the Trustee written notice of default and of the continuance thereof, as hereinbefore provided, with a copy to the Company, or (B) the Trustee shall have previously given notice of such default to the Company, (ii) the Holders of not less than 25% in aggregate Principal Amount of the Debentures then outstanding, or a majority in aggregate Principal Amount of the Debentures then outstanding, in the case of a Covenant Breach, shall have made written request upon the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have offered to the Trustee such indemnity reasonably satisfactory to the Trustee as it may require against the costs, expenses and liabilities to be incurred therein or thereby, (iii) the Trustee for 90 days after its receipt of such notice, request and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding during such 90-day period, and (iv) during such 90-day period no direction inconsistent with such written request shall have been given to the Trustee by the Holders of a majority in aggregate Principal Amount of the Debentures then outstanding (or such amount as shall have acted at a meeting pursuant to the provisions of this Indenture), it being understood and intended, and being expressly covenanted by the Holder of every Debenture with every other Holder and the Trustee, that no one or more Holders shall have any right in any manner whatever by virtue of or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of any other Holder, or to obtain or seek to obtain priority over or preference to any other such Holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all such Holders.

(ii) If an Event of Default with respect to the Debentures occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of the Debentures by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

If a Covenant Breach with respect to the Debentures occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy. If a Covenant Breach with respect to the Debentures occurs and is continuing, and then only if the Trustee is directed by Holders of Debentures pursuant to and in accordance with Section 6.02 hereof and, if so requested by the Trustee, an indemnity reasonably satisfactory to it is granted by the Holders, the Trustee shall proceed to protect and enforce the rights of the Holders of the Debentures by such appropriate judicial proceedings as such Holders shall so direct to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 6.07. *Rights of Holders to Receive Payment*. Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of the Principal Amount and interest in respect of the Debentures held by such Holder, on or after the respective due dates expressed in the Debentures, and to convert the Debentures in accordance with Article 10, or to bring suit for the enforcement of any such payment on or after such respective dates or the right to convert, shall not be impaired or affected adversely without the consent of such Holder.

SECTION 6.08. *Collection Suit by Trustee*. If an Event of Default described in Section 6.01(i)(A) or (B) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount due and owing with respect to the Debentures and the amounts provided for in Section 7.07.

SECTION 6.09. *Trustee May File Proofs of Claim*. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other similar judicial proceeding relative to the Company or any other obligor upon the Debentures or any substantial part of the property of the Company or of such other obligor, the Trustee (irrespective of whether the Principal Amount and interest in respect of the Debentures shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of any such amount) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of the Principal Amount or interest and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel or any other amounts due the Trustee under Section 7.07) and of the Holders allowed in such judicial proceeding, and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same.

Any custodian, receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly

to the Holders, to pay the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Debentures or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.10. *Priorities*. If the Trustee collects any money pursuant to this Article 6, it shall pay out the money in the following order:

FIRST: to the Trustee for amounts due under Section 7.07;

SECOND: to Holders for amounts due and unpaid on the Debentures for the Principal Amount and interest, ratably, without preference or priority of any kind, according to such amounts due and payable on the Debentures; and

THIRD: the balance, if any, to the Company.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section 6.10. At least 15 days before such record date, the Trustee shall mail to each Holder and the Company a notice that states the record date, the payment date and the amount to be paid.

SECTION 6.11. *Undertaking for Costs*. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit (other than the Trustee) of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit (other than the Trustee), having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07 or a suit by Holders of more than 10% in aggregate Principal Amount of the Debentures at the time outstanding. This Section 6.11 shall be in lieu of Section 315(e) of the TIA and such Section 315(e) is hereby expressly excluded from this Indenture, as permitted by the TIA.

SECTION 6.12. *Waiver of Stay, Extension or Usury Laws*. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury or other law wherever enacted, now or at any time hereafter in force, which would prohibit or forgive the Company from paying all or any portion of the Principal Amount and interest in respect of Debentures, or any interest on such amounts, as contemplated herein, or which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE 7

TRUSTEE

SECTION 7.01. *Duties of Trustee*.

(i) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(ii) Except during the continuance of an Event of Default:

(A) the Trustee need perform only those duties that are specifically set forth in this Indenture and no others; and

(B) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee and conforming to the requirements of this Indenture, but in case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture, but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein.

This Section 7.01(ii) shall be in lieu of Section 315(a) of the TIA and such Section 315(a) is hereby expressly excluded from this Indenture, as permitted by the TIA.

(iii) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(A) this paragraph (iii) does not limit the effect of paragraph (ii) of this Section 7.01;

(B) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(C) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.

Subparagraphs (iii)(A), (B) and (C) shall be in lieu of Sections 315(d)(1), 315(d)(2) and 315(d)(3) of the TIA and such Sections 315(d)(1), 315(d)(2) and 315(d)(3) are hereby expressly excluded from this Indenture, as permitted by the TIA.

(iv) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (i), (ii), (iii) and (v) of this Section 7.01.

(v) The Trustee may refuse to perform any duty or exercise any right or power or extend or risk its own funds or otherwise incur any financial liability unless it receives indemnity satisfactory to it against any loss, liability or expense.

(vi) Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee (acting in any capacity hereunder) shall be under no liability for interest on any money received by it hereunder unless otherwise agreed in writing with the Company.

SECTION 7.02. *Rights of Trustee*. Subject to its duties and responsibilities under the provisions of Section 7.01, and, except as expressly excluded from this Indenture pursuant to Section 7.01, subject also to its duties and responsibilities under the TIA:

(i) the Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(ii) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, request and conclusively rely upon an Officer's Certificate;

(iii) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(iv) the Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith which it believes to be authorized or within its rights or powers conferred under this Indenture;

(v) the Trustee may consult with counsel selected by it and any advice or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(vi) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders, pursuant to the provisions of this Indenture, unless such Holders shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby;

(vii) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a resolution of the Board of Directors;

(viii) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, including, without limitation, any Company Request, Company Order or Officer's Certificate, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney at the sole cost of the Company and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation or lack thereof;

(ix) the Trustee shall not be deemed to have notice of any default or Event of Default unless a Responsible Officer of the Trustee received written notice of an event which is in fact such a default or Event of Default, and such notice references the Debentures and this Indenture, describes the event with specificity, and alleges that the occurrence of this event is a default or an Event of Default under this Indenture;

(x) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and to each agent, custodian and other Person employed to act hereunder;

(xi) the Trustee may request that the Company deliver an Officer's Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officer's Certificate may be signed by any person authorized to sign an Officer's Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded; and

(xii) the permissive rights of the Trustee enumerated herein shall not be construed as duties.

SECTION 7.03. *Individual Rights of Trustee*. The Trustee in its individual or any other capacity may become the owner or pledgee of Debentures and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee. Any Paying Agent, Registrar, Conversion Agent or co-registrar may do the same with like rights. However, the Trustee must comply with Section 7.10.

SECTION 7.04. *Trustee's Disclaimer*. The Trustee makes no representation as to the validity or adequacy of this Indenture or the Debentures, it shall not be accountable for the Company's use or application of the proceeds from the Debentures, it shall not be responsible for any statement in the Indenture or the Debentures (other than its certificate of authentication), or the determination as to which beneficial owners are entitled to receive any notices hereunder.

SECTION 7.05. *Notice of Defaults*. If an Event of Default occurs and if it is known to the Trustee, the Trustee shall give to each Holder notice of the Event of Default within 90 days after the Trustee gains knowledge of the Event of Default unless such Event of Default shall have been cured or waived before the giving of such notice. Except in the case of an Event of

Default described in Section 6.01(i)(A) or (B), the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of Holders. The second sentence of this Section 7.05 shall be in lieu of the proviso to Section 315(b) of the TIA and such proviso is hereby expressly excluded from this Indenture, as permitted by the TIA. The Trustee shall not be deemed to have knowledge of an Event of Default unless a Responsible Officer of the Trustee has received written notice of such Event of Default in the manner described in Section 6.02.

SECTION 7.06. *Reports by Trustee to Holders*. Within 60 days after each May 15 beginning with May 15, 2008, the Trustee shall transmit to each Holder such reports as may be required under Section 313 of the TIA.

SECTION 7.07. *Compensation and Indemnity*. The Company agrees:

(i) to pay to the Trustee from time to time such reasonable compensation as the Company and the Trustee shall from time to time agree in writing for all services rendered by it hereunder (which compensation shall not be limited (to the extent permitted by law) by any provision of law in regard to the compensation of a trustee of an express trust);

(ii) to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses, advances and disbursements of its agents and external counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(iii) to indemnify the Trustee or any predecessor Trustee and their agents for, and to hold them harmless against, any loss, damage, claim, liability, cost or expense (including reasonable attorney's fees and expenses and taxes (other than taxes based upon, measured by or determined by the income of the Trustee)) reasonably incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the reasonable costs and expenses of defending itself against any claim (whether asserted by the Company or any Holder or any other Person) or liability in connection with the acceptance, exercise or performance of any of its powers or duties hereunder in accordance herewith.

To secure the Company's payment obligations in this Section 7.07, Holders shall have been deemed to have granted to the Trustee a lien prior to the Debentures on all money or property held or collected by the Trustee, except that held in trust to pay the Principal Amount or interest, as the case may be, on particular Debentures.

The Company's payment obligations pursuant to this Section 7.07 shall survive the discharge of this Indenture and the resignation or removal of the Trustee. When the Trustee incurs expenses after the occurrence of an Event of Default specified in Section 6.01(i)(D), its expenses including the reasonable charges and expenses of its counsel, are intended to constitute expenses of administration under any Bankruptcy Law.

SECTION 7.08. *Replacement of Trustee*. The Trustee may resign by so notifying the Company; *provided, however*, no such resignation shall be effective until a successor Trustee has

accepted its appointment pursuant to this Section 7.08. The Holders of a majority in aggregate Principal Amount of the Debentures at the time outstanding may remove the Trustee by so notifying the Trustee and the Company. The Company shall remove the Trustee if:

(i) the Trustee fails to comply with Section 7.10 and the Company has knowledge thereof;

(ii) the Trustee is adjudged bankrupt or insolvent;

(iii) a receiver or public officer takes charge of the Trustee or its property; or

(iv) the Trustee otherwise becomes incapable of acting hereunder.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint, by resolution of the Board of Directors, a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company satisfactory in form and substance to the retiring Trustee and the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.07.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of a majority in aggregate Principal Amount of the Debentures at the time outstanding may petition any court of competent jurisdiction at the expense of the Company for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.10, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

The resignation or removal of a Trustee shall not diminish, impair or terminate its rights to indemnification pursuant to Section 7.07 as they relate to periods prior to such resignation or removal.

SECTION 7.09. *Successor Trustee by Merger*. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another person, the resulting, surviving or transferee person without any further act shall be the successor Trustee.

SECTION 7.10. *Eligibility; Disqualification*. There shall at all times be a Trustee hereunder which shall be eligible to act as Trustee and shall have a combined capital and surplus of at least $50,000,000. If such person publishes reports of condition at least annually, pursuant to law or to the requirements of federal, state, territorial or District of Columbia supervising or examining authority, then, for the purposes of this Section 7.10, the combined capital and surplus

of such person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 7.10, it shall resign immediately in the manner and with the effect specified in this Article 7.

ARTICLE 8

DISCHARGE OF INDENTURE

SECTION 8.01. *Discharge of Liability on Debentures*. When (i) the Company delivers to the Trustee all outstanding Debentures (other than Debentures replaced pursuant to Section 2.11) for cancellation or (ii) all outstanding Debentures have become due and payable at maturity and the Company deposits with the Trustee, the Paying Agent (if the Paying Agent is not the Company or any Subsidiary or any Affiliate of either of them) or the Conversion Agent cash or, if expressly permitted by the terms of the Debentures and the Indenture, Common Stock (solely to satisfy the rights of Holders granted in Article 10) or governmental obligations sufficient to pay all amounts due and owing on all outstanding Debentures (other than Debentures replaced pursuant to Section 2.11), and if in either case the Company pays all other sums payable hereunder by the Company, then this Indenture shall, subject to Section 7.07, cease to be of further effect. The Trustee shall join in the execution of a document prepared by the Company acknowledging satisfaction and discharge of this Indenture on demand of the Company accompanied by an Officer's Certificate stating that the consideration being given is expressly permitted by the terms of the Debentures and that all conditions precedent to the discharge of the Indenture have been complied with by the Company and an Opinion of Counsel that such satisfaction and discharge does not violate the terms of this Indenture or the Debentures, and at the cost and expense of the Company. The Trustee shall be allowed to conclusively rely on such Officer's Certificate and Opinion of Counsel.

SECTION 8.02. *Repayment to the Company*. The Trustee and the Paying Agent shall return to the Company upon written request any money or securities held by them for the payment of any amount with respect to the Debentures that remains unclaimed for two years, subject to applicable unclaimed property law. After return to the Company, Holders entitled to the money or securities must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person and the Trustee and the Paying Agent shall have no further liability to the Holders with respect to such money or securities for that period commencing after the return thereof.

ARTICLE 9

AMENDMENTS

SECTION 9.01. *Without Consent of Holders*. The Company and the Trustee may amend this Indenture or the Debentures without the consent of any Holder:

(i) to evidence the succession of another person to the Company, or successive successions and the assumption by the successor person of the covenants, agreements and obligations of the Company hereunder and the Debentures;

(ii) to convey, transfer, assign, mortgage or pledge to the Trustee as security for the Debentures any property or assets which the Company may desire;

(iii) to add to the covenants of the Company such further covenants, restrictions or conditions for the protection of the Holders of all or any series of Debentures (and if such covenants are to be for the benefit of less than all series of Debentures stating that such covenants are expressly being included solely for the benefit of such series) as the Board of Directors of the Company and the Trustee shall consider to be for the protection of the Holders of such Debentures, and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants, restrictions or conditions a default or an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; provided, however, that in respect of any such additional covenant, restriction or condition such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available to the Trustee upon such default;

(iv) to provide for the issuance under this Indenture of Debentures in coupon form (including Debentures registrable as to principal only) and to provide for exchangeability of such Debentures with the Debentures issued hereunder in fully registered form and to make all appropriate changes for such purpose;

(v) to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture that may be defective or inconsistent with any other provision contained herein or in any supplemental indenture;

(vi) to make such other provisions in regard to matters or questions arising under this Indenture that shall not adversely affect the interests of any Holder in any material respect, provided that any amendment to conform the terms of the Debentures to the description contained in the Company's Offering Memorandum, dated March 25, 2008, relating to the Debentures will not be deemed to adversely affect the interests of any Holder in any material respect;

(vii) to evidence and provide for the acceptance of appointment hereunder by a successor trustee with respect to the Debentures of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one trustee, pursuant to the requirements of Section 7.09;

(viii) to surrender any right or power herein conferred upon the Company;

(ix) to comply with the requirements of the SEC in order to maintain the qualification of this Indenture under the TIA;

(x) to add or modify any other provisions with respect to matters or questions arising under this Indenture which the Company and the Trustee may deem necessary or desirable; provided, however, that such action pursuant to this clause (x) does not, in the good faith opinion

of the Board of Directors of the Company (as evidenced by a board resolution) and the Trustee, adversely affect the interests of any Holder of Debentures in any material respect;

(xi) to the extent necessary to make provision for a Qualifying Replacement Capital Covenant;

(xii) amend the definition of "Qualifying Preferred Stock" to provide that Qualifying Preferred Stock be subject to a Qualifying Replacement Capital Covenant and/or a Replacement Capital Intention;

(xiii) eliminate the Company's right to elect to pay cash pursuant to the Fundamental Change Option; or

(xiv) provide for guarantees of the Debentures and to specify the rankings of the obligations of the guarantors under their respective guarantees.

SECTION 9.02. *With Consent of Holders*. With the written consent of the Holders of at least a majority in aggregate Principal Amount of the Debentures at the time outstanding, the Company and the Trustee may amend this Indenture or the Debentures. However, without the consent of each Holder affected, an amendment to this Indenture or the Debentures may not:

(i) change the Final Maturity Date;

(ii) change the date of any interest payment due upon the Debentures;

(iii) reduce the Principal Amount of, or the interest on, the Debentures;

(iv) adversely affect in any material respect the rights of the Holders to convert the Debentures;

(v) reduce the amount of or change the form of consideration due to Holders of the Debentures upon their conversion thereof;

(vi) change the currency of payment of the Debentures to a currency other than U.S. dollars;

(vii) impair the right to institute suit for the enforcement of any payment on the Debentures or adversely affect the right of payment, if any, at the option of the Holder; or

(viii) reduce the percentage of Holders necessary to modify or amend the Indenture or to waive any past default.

After an amendment under this Section 9.02 becomes effective, the Company shall mail to each Holder a notice briefly describing the amendment. Failure to mail such notice or a defect in the notice shall not affect the validity of the amendment.

SECTION 9.03. *Compliance with Trust Indenture Act*. Every supplemental indenture executed pursuant to this Article shall comply with the TIA.

SECTION 9.04. *Revocation and Effect of Consents, Waivers and Actions*. Until an amendment, waiver or other action by Holders becomes effective, a consent thereto by a Holder of a Debenture hereunder is a continuing consent by the Holder and every subsequent Holder of that Debenture or portion of the Debenture that evidences the same obligation as the consenting Holder's Debenture, even if notation of the consent, waiver or action is not made on the Debenture. However, any such Holder or subsequent Holder may revoke the consent, waiver or action as to such Holder's Debenture or portion of the Debenture if the Trustee receives the notice of revocation before the date the amendment, waiver or action becomes effective. After an amendment, waiver or action becomes effective, it shall bind every Holder.

SECTION 9.05. *Notation on or Exchange of Debentures*. Debentures authenticated and delivered after the execution of any supplemental indenture pursuant to this Article 9 may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Debentures so modified as to conform, in the opinion of the Board of Directors, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for outstanding Debentures.

SECTION 9.06. *Trustee to Sign Supplemental Indentures*. The Trustee shall sign any supplemental indenture authorized pursuant to this Article 9 if the amendment contained therein does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign such supplemental indenture. In signing such supplemental indenture the Trustee shall receive, and (subject to the provisions of Section 7.01) shall be fully protected in relying upon, in addition to the documents required by Section 12.04, an Officer's Certificate and an Opinion of Counsel stating that such amendment is authorized or permitted by this Indenture.

SECTION 9.07. *Effect of Supplemental Indentures*. Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Debentures theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

ARTICLE 10

CONVERSION

SECTION 10.01. *Conversion at the Option of the Holder*.

(i) The Debentures shall be convertible into shares of Common Stock at any time prior to 5:00 P.M., New York City Time, on the Business Day immediately preceding the Final Maturity Date.

(ii) The Company appoints the Trustee as the initial conversion agent. The Trustee may resign from its appointment as conversion agent at any time and the Company shall then appoint a new conversion agent in accordance with this Article 10.

(iii) A Holder of Debentures is not entitled to any rights of a holder of Common Stock until such Holder has converted his Debentures and received upon conversion thereof shares of Common Stock.

(iv) A Holder may convert a portion of the Principal Amount of such Holder's Debentures, if such portion is $1,000 or an integral multiple of $1,000.

(v) To the extent that the Common Stock (or cash, pursuant to Section 10.04) received by a Holder of Debentures upon the conversion of the Debentures is subject to U.S. withholding tax and such Common Stock (or cash, pursuant to Section 10.04) is not sufficient to comply with the Company's U.S. withholding obligations with respect to these amounts, the Company may, to the extent required by law, recoup or set-off such liability against any payments subsequently made with respect to such Common Stock, including, but not limited to, any actual cash dividends or distributions subsequently made with respect to such Common Stock.

SECTION 10.02. *Exercise of Conversion Right*.

(i) In order to exercise the conversion right with respect to any Debenture in certificated form, the Company must receive at the office or agency of the Company maintained for that purpose in The City of New York or, at the option of the Holder of such Debenture, the Corporate Trust Office, such Debenture with the original or facsimile of the form entitled "Conversion Notice" on the reverse thereof, duly completed and manually signed, together with such Debenture duly endorsed for transfer, accompanied by the funds, if any, required by this Section 10.02. Such notice shall also state the name or names (with address or addresses) in which the certificate or certificates for any shares of Common Stock which shall be issuable on such conversion shall be issued, and shall be accompanied by payment of transfer or similar taxes, if required pursuant to Section 10.07. In addition, if the conversion is being made pursuant to the exercise of the Fundamental Change Option, the conversion notice shall so state.

(ii) In order to exercise the conversion right with respect to any interest in a Global Security, the beneficial owner must arrange for its broker, dealer or other DTC participant to complete, or cause to be completed, the appropriate instruction form for conversion pursuant to the Depositary's book-entry conversion program; deliver, or cause to be delivered, by book-entry delivery an interest in such Global Security; furnish appropriate endorsements and transfer documents if required by the Company or the Trustee or conversion agent; and pay the funds, if any, required by this Section 10.02 and any transfer taxes if required pursuant to Section 10.07.

(iii) The date on which all requirements for conversion set forth herein are satisfied is herein referred to as the "Conversion Date."

(iv) The Company will deliver the Common Stock, and cash in lieu of fractional shares, if any, as promptly as practical after the Conversion Date, but in no event later than three Business Days thereafter.

(v) The Person in whose name any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become on the Conversion Date the holder of record of the shares represented thereby. All anti-dilution adjustments to the

Conversion Rate and determinations as to entitlement to interest on the converted Debentures shall be carried out through that date in respect of the Debentures converted and upon that date the Holder will no longer be a Holder of such Debentures, subject to the rights of such Holder to receive any adjustment pursuant to Section 10.03.

(vi) Upon receipt of written confirmation from the Company of the conversion of an interest in a Global Security, the Trustee (or other conversion agent appointed by the Company), or the Custodian at the direction of the Trustee (or other conversion agent appointed by the Company), shall make a notation on such Global Security as to the reduction in the Principal Amount represented thereby. The Company shall notify the Trustee in writing of any conversions of Debentures.

(vii) In case any Debenture of a denomination greater than $1,000 shall be surrendered for partial conversion, the Company shall execute and the Trustee shall, upon receipt of a Company Order, authenticate and deliver to the Holder of the Debenture so surrendered, without charge to the Holder, a new Debenture or Debentures in authorized denominations in an aggregate Principal Amount equal to the unconverted portion of the surrendered Debenture.

SECTION 10.03. *Adjustment for Interest or Dividends*.

(i) If the Conversion Date applicable to the conversion of any Debenture falls after a Regular Record Date but prior to the corresponding Interest Payment Date, interest accrued and unpaid with respect to the Interest Payment Period for such Regular Record Date thereon shall be payable to the Holder of record on such Regular Record Date. However, any Debenture or portion thereof surrendered for conversion during the period from 5:00 p.m., New York City time, on the Regular Record Date for any Interest Payment Date to 5:00 p.m., New York City time, on the Interest Payment Date, shall be accompanied by payment, in immediately available funds or other funds acceptable to the Company, of an amount equal to the interest payable by the Company on such Interest Payment Date on the Principal Amount being converted; provided that no such payment need be made

(A) if a Holder converts its Debentures in connection with a redemption and the final date upon which Debentures may be converted to qualify for receipt of the related Additional Shares would, if it were the Conversion Date for any Debentures, fall after a Regular Record Date and on or prior to the corresponding Interest Payment Date,

(B) if a Holder converts its Debentures in connection with a Make-Whole Fundamental Change and the final date upon which Debentures may be converted to qualify for receipt of the related Additional Shares would, if it were the Conversion Date for any Debentures, fall after a Regular Record Date and on or prior to the corresponding Interest Payment Date,

(C) to the extent of any overdue or deferred interest, including any Compounded Interest, if any overdue or deferred interest exists at the time of conversion with respect to such Debenture, or

(D) if Holder converts its Debentures following the last Regular Record Date prior to April 1, 2063.

Except as otherwise provided in this Indenture, no payment or other adjustment shall be made for interest accrued on any Debenture converted or for dividends on any shares of Common Stock issued upon the conversion of such Debenture hereunder.

(ii) Accrued interest, if any, to the Conversion Date not paid in cash is deemed to be paid in full with the shares of Common Stock delivered upon conversion, rather than cancelled, extinguished or forfeited.

(iii) Notwithstanding Section 10.03(ii), Holders will receive additional shares of Common Stock ("Deferred Interest Additional Shares"), and cash in lieu of fractional shares, in lieu of Deferred Interest, if any, including any Compounded Interest thereon accrued and unpaid through, but not including, the Conversion Date (regardless of when such conversion occurs).

(iv) The number of Deferred Interest Additional Shares delivered pursuant to Section 10.03(iii) shall be equal to the amount of Deferred Interest, if any, plus Compounded Interest thereon, to, but not including, the Conversion Date divided by 97% of the average of the daily Volume-Weighted Average Prices per share of the Company's Common Stock for each of the five consecutive Trading Days ending on the second Trading Day immediately prior to the Conversion Date.

(v) If such Deferred Interest Additional Shares are required to be registered under the Securities Act in order to be freely tradeable in the hands of Holders, then the Company will use commercially reasonable efforts to register such Deferred Interest Additional Shares under the Securities Act so as to permit such shares to be freely sold by Holders. If the Company is unable to deliver freely tradeable shares to Holders, the Company will instead pay the amount of Deferred Interest in cash through funds raised using the Alternative Payment Mechanism.

SECTION 10.04. *Cash Payments*.

(i) No fractional shares of Common Stock or scrip certificates representing fractional shares shall be issued upon conversion of Debentures. If more than one Debenture shall be surrendered for conversion at one time by the same Holder, the number of full shares that shall be issuable upon conversion shall be computed on the basis of the aggregate Principal Amount of the Debentures (or specified portions thereof to the extent permitted hereby) so surrendered. If any fractional share of stock would be issuable upon the conversion of any Debenture or Debentures, the Company shall make an adjustment and payment therefor in cash to the Holder of Debentures at a price equal to the Closing Sale Price on the last Trading Day immediately preceding the Conversion Date.

(ii) With respect to any conversion of the Debentures occurring after April 6, 2013, the Company may, at its option, make a cash payment to converting Holders equal to the "Reference Price" for some or all of the shares issuable upon conversion of the Debentures. If the conversion is in respect of a Fundamental Change and the holders of shares of Common Stock receive only cash in the Fundamental Change, the "Reference Price" will be the cash amount paid per share of Common Stock in the Fundamental Change. Otherwise, the "Reference Price" will be the average of the Closing Sale Price per share of Common Stock on the 20 Trading Days immediately preceding the Conversion Date.

(iii) Notwithstanding anything to the contrary herein, until the Company shall have obtained any necessary stockholder approval as required under the listing rules of the NYSE, the shares of Common Stock issuable upon conversion of the Debentures will in no event exceed 19.99% of the number of shares of the Company's Common Stock outstanding immediately before the initial issuance of the Debentures (the "Conversion Rate Cap") and, if an event occurs that would otherwise result in the issuance upon conversion of the Debentures of shares of the Company's Common Stock in excess of the Conversion Rate Cap, and the Company has not previously obtained such stockholder approval, the Company shall either obtain stockholder approval of any shares of Common Stock issuable upon conversion of the Debentures or, with respect only to those shares that would exceed the Conversion Rate Cap, deliver cash in lieu of any shares of Common Stock otherwise deliverable upon Conversion in excess of such limitation. The cash so payable per share of Common Stock will be equal to the Reference Price. If the Company receives approval of its stockholders to issue shares of Common Stock upon conversion of the Debentures to the maximum extent provided herein and in the Debentures, there will be no Conversion Rate Cap and the Company will not be permitted to deliver cash in lieu of issuing shares of its Common Stock upon conversion of debentures under this provision.

SECTION 10.05. *Conversion Rate*.

(i) The Conversion Rate (the "Conversion Rate") for the Debentures is 74.0741 shares of Common Stock per each $1,000 Principal Amount of the Debentures, subject to adjustment as provided in this Section 10.05.

(ii) In case the Company shall hereafter pay a dividend or make a distribution to all or substantially all holders of its outstanding Common Stock in shares of Common Stock, the Conversion Rate shall be increased so that the same shall equal the rate determined by multiplying the Conversion Rate in effect at the opening of business on the date following the date fixed for the determination of shareholders entitled to receive such dividend or other distribution by a fraction,

(A) the numerator of which shall be the sum of the number of shares of Common Stock outstanding at the close of business on the date fixed for the determination of shareholders entitled to receive such dividend or other distribution plus the total number of shares of Common Stock constituting such dividend or other distribution; and

(B) the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination, such increase to become effective immediately after the opening of business on the day following the date fixed for such determination. If any dividend or distribution of the type described in this clause (ii) is declared but not so paid or made, the Conversion Rate shall again be adjusted to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(iii) In case the Company shall issue to all or substantially all holders of its outstanding shares of Common Stock rights or warrants entitling them (for a period expiring within 60 calendar days after the date fixed for determination of shareholders entitled to receive

such rights or warrants) to subscribe for or purchase shares of Common Stock at a price per share less than the average of the Closing Sale Prices of the Company's Common Stock on the five consecutive Trading Days immediately preceding the date of the first public announcement of such issuance of rights or warrants, the Conversion Rate shall be increased so that the same shall equal the rate determined by multiplying the Conversion Rate in effect immediately prior to the date fixed for determination of shareholders entitled to receive such rights or warrants by a fraction,

(A) the numerator of which shall be the number of shares of Common Stock outstanding on the date fixed for determination of shareholders entitled to receive such rights or warrants plus the total number of additional shares of Common Stock offered for subscription or purchase, and

(B) the denominator of which shall be the sum of the number of shares of Common Stock outstanding at the close of business on the date fixed for determination of shareholders entitled to receive such rights or warrants plus the number of shares that the aggregate offering price of the total number of shares so offered would purchase at Current Market Price for the five consecutive Trading Days immediately preceding the first public announcement of the issuance of such rights or warrants.

Such adjustment shall be successively made whenever any such rights or warrants are issued, and shall become effective immediately after the opening of business on the day following the date fixed for determination of shareholders entitled to receive such rights or warrants; provided that no adjustment to the Conversion Rate shall be made if the Holder shall otherwise participate in such distribution without conversion as a result of holding the Debentures. To the extent that shares of Common Stock are not delivered in respect of such rights or warrants, the Conversion Rate shall be readjusted to the Conversion Rate that would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of delivery of only the number of shares of Common Stock actually delivered. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than the Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received by the Company for such rights or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by the Company's Board of Directors.

If the rights provided for in any future rights plan adopted by the Company have separated from the shares of Common Stock in accordance with the provisions of the applicable stockholder rights agreement so that the Holders of the Debentures would not be entitled to receive any rights in respect of Common Stock issuable upon conversion of the Debentures, if any, the Conversion Rate will be adjusted as provided in Section 10.05(v).

(iv) In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock or combined into a smaller number of shares of Common Stock, the Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision or combination becomes effective shall be adjusted so that the

same shall equal the rate determined by multiplying the Conversion Rate in effect immediately prior to such subdivision or combination by a fraction,

(A) the numerator of which shall be the number of shares of Common Stock outstanding after, and solely as a result of, such subdivision or combination, and

(B) the denominator of which shall be the number of shares of Common Stock outstanding prior to such subdivision or combination, such increase or reduction, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(v) In case the Company shall, by dividend or otherwise, distribute to all or substantially all holders of Common Stock shares of any class of capital stock of the Company, assets (including shares of any Subsidiary or business unit of the Company), debt securities or rights to purchase the Company's securities (excluding any rights described in clause (iii) above and any cash dividends or other cash distributions), then, in each such case the Conversion Rate shall be increased by multiplying the Conversion Rate in effect on the Record Date with respect to such distribution by a fraction,

(A) the numerator of which shall be the Current Market Price of the Company's Common Stock on such Record Date; and

(B) the denominator of which shall be the Current Market Price of the Company's Common Stock on such Record Date less the Fair Market Value (as determined by the Company's Board of Directors, whose determination shall be conclusive, and described in a resolution of the Board of Directors) on the Record Date of the portion of the distribution applicable to one share of Common Stock, such adjustment to become effective immediately prior to the opening of business on the day following such Record Date; provided that if the then Fair Market Value (as so determined) of the portion of the distribution applicable to one share of Common Stock is equal to or greater than the Current Market Price of one share of Common Stock on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon conversion the amount of assets such Holder would have received had such Holder converted each Debenture prior to the Record Date. If such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. If the Board of Directors determines the Fair Market Value of any distribution for purposes of this Section 10.05(v) by reference to the actual or when-issued trading market for any securities, it must, in doing so, consider the prices in such market over the same period used in computing the Current Market Price of one share of Common Stock on the applicable Record Date.

Notwithstanding the foregoing, if the dividend or distribution requiring an adjustment pursuant to this clause (v) consists of capital stock of any class or series, or similar equity interests, of a Subsidiary or other business unit of the Company, then the Conversion Rate shall be increased by multiplying the Conversion Rate in effect on the Record Date with respect to such distribution by a fraction,

(a) the numerator of which shall be (x) the average of the Closing Sale Prices of the Company's Common Stock for the 10 Trading Days commencing on and including the fifth Trading Day after the Ex-Dividend Date for such distribution on the NYSE or the principal U.S. stock exchange or interdealer quotation system on which the Company's Common Stock is then listed or quoted, plus (y) the market value distributed per share of the Company's Common Stock based upon the average of the Closing Sale Prices of the security distributed for the 10 Trading Days commencing on and including the fifth Trading Day after the Ex-Dividend Date for such distribution on the NYSE or the principal U.S. stock exchange or interdealer quotation system on which such security is then listed or quoted and

(b) the denominator of which shall be the average of the Closing Sale Prices of the Company's Common Stock for the 10 Trading Days commencing on and including the fifth Trading Day after the Ex-Dividend Date for such distribution on the NYSE or the principal U.S. stock exchange or interdealer quotation system on which Company's Common Stock is then listed or quoted.

Rights or warrants distributed by the Company to all holders of Common Stock entitling the holders thereof to subscribe for or purchase shares of the Company's capital stock (either initially or under certain circumstances), which rights or warrants, until the occurrence of a specified event or events (a "Trigger Event"): (i) are deemed to be transferred with such shares of Common Stock; (ii) are not exercisable; and (iii) are also issued in respect of future issuances of Common Stock, shall be deemed not to have been distributed for purposes of this Section 10.05(v) (and no adjustment to the Conversion Rate under this Section 10.05(v) shall be required) until the occurrence of the earliest Trigger Event, whereupon such rights and warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to the Conversion Rate shall be made under this Section 10.05(v). If any such right or warrant, including any such existing rights or warrants distributed prior to the date of this Indenture, are subject to events, upon the occurrence of which such rights or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and Record Date with respect to new rights or warrants with such rights (and a termination or expiration of the existing rights or warrants without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights or warrants, or any Trigger Event or other event (of the type described in the preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Conversion Rate under this Section 10.05(v) was made, (1) in the case of any such rights or warrants that shall have been redeemed or repurchased without exercise by any holders thereof, the Conversion Rate shall be readjusted upon such final redemption or repurchase to give effect to such distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption or repurchase price received by a holder or holders of Common Stock with respect to such rights or warrants (assuming such holder had retained such rights or warrants), made to all holders of Common Stock as of the date of such redemption or repurchase, and (2) in the case of such rights or warrants that shall have expired or been terminated without exercise by any holders thereof, the Conversion Rate shall be readjusted as if such rights and warrants had not been issued.

No adjustment of the Conversion Rate shall be made pursuant to this Section 10.05(v) in respect of rights or warrants distributed or deemed distributed on any Trigger Event to the extent that such rights or warrants are actually distributed, or reserved by the Company for distribution to Holders of the Debentures upon conversion by such Holders of Debentures to Common Stock, unless such rights or warrants have become separated from the Common Stock in accordance with the provisions of the relevant agreement such that the Holders would not thereafter be entitled to receive such rights or warrants in respect of Common Stock issuable upon conversion of the Debentures. In such circumstances an adjustment to the Conversion Rate shall be made with respect to Debentures then outstanding pursuant to Section 10.05(v) (to the extent required thereby) upon the separation of the rights or warrants from the Common Stock.

For purposes of this Section 10.05(v) and Sections 10.05(ii) and (iii), any dividend or distribution to which this Section 10.05(v) is applicable that also includes shares of Common Stock, or rights or warrants to subscribe for or purchase shares of Common Stock (or both), shall be deemed instead to be (1) a dividend or distribution of the evidences of indebtedness, assets or shares of capital stock other than such shares of Common Stock or rights or warrants (and any Conversion Rate adjustment required by this Section 10.05(v) with respect to such dividend or distribution shall then be made) immediately followed by (2) a dividend or distribution of such shares of Common Stock or such rights or warrants (and any further Conversion Rate adjustment required by Sections 10.05(ii) and (iii) with respect to such dividend or distribution shall then be made), except (A) the Record Date of such dividend or distribution shall be substituted as "the date fixed for the determination of shareholders entitled to receive such dividend or other distribution", "the date fixed for the determination of shareholders entitled to receive such rights or warrants" and "the date fixed for such determination" within the meaning of Sections 10.05(ii) and (iii) and (B) any shares of Common Stock included in such dividend or distribution shall not be deemed "outstanding at the close of business on the date fixed for such determination" within the meaning of Section 10.05(ii).

(vi) In case the Company shall distribute cash dividends or other cash distributions (excluding (i) any cash that is distributed as part of a distribution requiring a Conversion Rate adjustment pursuant to Section 10.05(vii) hereof, (ii) Regular Quarterly Cash Dividends, to the extent the aggregate amount of such Regular Quarterly Cash Dividends in any quarterly period does not exceed $0.025 per share of Common Stock (the "Reference Dividend Amount") and (iii) any dividend or distribution in connection with the Company's liquidation, dissolution or winding up) to all or substantially all holders of Common Stock, the Conversion Rate shall be increased based on the following formula:

CR1 = CR0 x MP0 / (MP0 - C)

where

CR0 = the Conversion Rate in effect immediately prior to the Ex-Dividend Date for such distribution;

CR1 = the new Conversion Rate immediately on and after the Ex-Dividend Date for such distribution;

MP0 = Current Market Price per share of the Company's Common Stock on the Ex-Dividend Date for the distribution; and

C = the amount in cash per share that the Company distributes to holders of the Common Stock that exceeds the Reference Dividend Amount ("Excess Amount");

The Reference Dividend Amount shall be subject to adjustment in a manner that is inversely proportional to adjustments to the Conversion Rate; provided, however, that no adjustments shall be made to the Reference Dividend Amount for any adjustment made to the Conversion Rate pursuant to this Section 10.05(vi).

Notwithstanding anything to the contrary in this Section 10.05(vi), if an adjustment to the Conversion Rate is required to be made as a result of a cash dividend or other cash distribution that is not a Regular Quarterly Cash Dividend either in whole or in part, the Reference Dividend Amount shall be deemed to be zero for purposes of determining the adjustment to the Conversion Rate as a result of such distribution.

The Conversion Rate shall not be adjusted pursuant to this Section 10.05(vi) to the extent, and only to the extent, such adjustment would cause the Conversion Price to be less than the par value of the Common Stock. If an adjustment under this Section 10.05(vi) would otherwise cause the Conversion Price to be less than the par value of the Common Stock, the Conversion Rate shall be instead adjusted so that the Conversion Price is equal to the par value of the Common Stock.

In no event shall the Conversion Rate be decreased pursuant to this Section 10.05(vi). An adjustment to the Conversion Rate pursuant to this Section 10.05(vi) shall become effective immediately prior to the open of business on the Ex-Dividend Date for the distribution. To the extent a Regular Quarterly Cash Dividend is paid in multiple portions and the total of such portions exceeds the Reference Dividend Amount, then the Conversion Rate shall first be adjusted under this Section 10.05(vi) as a result thereof in respect of the first portion as a result of which such Regular Quarterly Cash Dividend exceeds the Reference Dividend Amount (with the Excess Amount for purposes of such adjustment being the amount by which such portion, when aggregated with all previously paid portions in respect of such Regular Quarterly Cash Dividend, if any, exceeds the Reference Dividend Amount), and the Conversion Rate shall be further adjusted under this Section 10.05(vi) in respect of each subsequent payment, if any, constituting a portion of such Regular Quarterly Cash Dividend (with the amount of each such subsequent portion being treated as the Excess Amount for purposes of determining the adjustment in respect of such portion). Each such adjustment shall become effective immediately prior to the open of business on the Ex-Dividend Date in respect of the payment resulting in such adjustment.

(vii) In case the Company or any of its Subsidiaries shall, at any time or from time to time, while any of the Debentures are outstanding, distribute cash or other consideration in respect of a tender offer or exchange offer made by the Company or any Subsidiary of the Company for all or any portion of the Common Stock of the Company, where the sum (such sum, the "aggregate amount" for purposes of this Section 10.05(vii)) of the amount of such cash distributed and the Fair Market Value (as determined in good faith by the Board of Directors,

whose determination shall be conclusive and set forth in a Board Resolution), as of the expiration date of the tender offer or exchange offer (the last date on which shares of Common Stock can be tendered or exchanged), of such other consideration distributed, each per share of Common Stock purchased or exchanged, pursuant to such tender offer or exchange offer as of the expiration date of the tender offer or exchange offer (such purchased or exchanged shares of Common Stock, the "purchased shares" for purposes of this Section 10.05(vii)) exceeds the Closing Sale Price per share of the Company's Common Stock on the Trading Day immediately following the expiration date of such tender offer or exchange offer, then, and in each case, immediately after the close of business on such date, the Conversion Rate shall be increased so that the same shall equal the rate determined by multiplying the Conversion Rate in effect immediately prior to the close of business on the Trading Day immediately following the expiration date of such tender offer or exchange offer by a fraction,

(i) the numerator of which is equal to the sum of (A) the aggregate amount and (B) the product of (I) an amount equal to (1) the number of shares of Common Stock outstanding as of the expiration date of the tender offer or exchange offer, less (2) the purchased shares and (II) the Closing Sale Price per share of the Company's Common Stock on the first Trading Day immediately following the expiration date of the tender offer or exchange offer; and

(ii) the denominator of which shall be equal to the product of (A) the number of shares of Common Stock outstanding as of the expiration date of the tender offer or exchange offer (including all purchased shares) and (B) the Closing Sale Price per share of the Company's Common Stock on the first Trading Day immediately following the expiration date of the tender offer or exchange offer.

An adjustment, if any, to the Conversion Rate pursuant to this Section 10.05(vii) shall become effective immediately prior to the opening of business on the second Trading Day immediately following the expiration date of the tender offer or exchange offer. In the event that the Company or a Subsidiary is obligated to purchase shares of Common Stock pursuant to any such tender offer or exchange offer, but the Company or such Subsidiary is permanently prevented by applicable law from effecting any such purchases, or all such purchases are rescinded, then the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such tender offer or exchange offer had not been made. Except as set forth in the preceding sentence, if the application of this Section 10.05(vii) to any tender offer or exchange offer would result in a decrease in the Conversion Rate, no adjustment shall be made for such tender offer or exchange offer under this Section 10.05(vii).

(viii) The Company may make such increases in the Conversion Rate, in addition to those required by Section 10.05(ii)-(vii) as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

To the extent permitted by applicable law, the Company from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least 20 Business Days, the increase is irrevocable during the period and the Board of Directors shall have made a determination that such increase would be in the best interests of the Company, which

determination shall be conclusive. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Company shall mail to Holders of record of the Debentures, with a copy to the Trustee, a notice of the increase, and such notice shall state the increased Conversion Rate and the period during which it shall be in effect.

(ix) Until April 1, 2063, no adjustment in the Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) in such rate; provided that any adjustments that by reason of this Section 10.05(ix) are not required to be made shall be carried forward and the Company shall make such carry-forward adjustments, regardless of whether the aggregate adjustment is less than 1%, (i) at the end of each fiscal year, beginning with the fiscal year ending December 31, 2008, and (ii) upon a Fundamental Change, or upon a Make-Whole Fundamental Change. All calculations under this Section 10.05 shall be made by the Company and shall be made to the nearest cent or to the nearest one-ten thousandth (1/10,000) of a share, as the case may be. No adjustment need be made for rights to purchase Common Stock pursuant to a Company plan for reinvestment of dividends or interest or for any issuance of Common Stock or convertible or exchangeable securities or rights to purchase Common Stock or convertible or exchangeable securities.

(x) Whenever the Conversion Rate is adjusted as herein provided, the Company shall promptly file with the Trustee and any conversion agent other than the Trustee an Officer's Certificate setting forth the Conversion Rate after such adjustment and setting forth a brief statement of the facts requiring such adjustment. Unless and until a Responsible Officer of the Trustee shall have received such Officer's Certificate, the Trustee shall not be deemed to have knowledge of any adjustment of the Conversion Rate and may assume that the last Conversion Rate of which it has knowledge is still in effect. Promptly after delivery of such certificate, the Company shall prepare a notice of such adjustment of the Conversion Rate setting forth the adjusted Conversion Rate and the date on which such adjustment becomes effective and shall mail such notice of such adjustment of the Conversion Rate to the Holder of each Debenture at its last address appearing on the security register, within 20 calendar days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

(xi) In any case in which this Section 10.05 provides that an adjustment shall become effective immediately after (1) a Record Date for an event, (2) the date fixed for the determination of shareholders entitled to receive a dividend or distribution pursuant to Section 10.05(ii), (3) a date fixed for the determination of shareholders entitled to receive rights or warrants pursuant to Section 10.05(iii), or (4) the expiration time for any tender or exchange offer pursuant to Section 10.05(vii), (each, an "adjustment determination date" for purposes of this Section 10.05(xi)), the Company may elect to defer until the occurrence of the applicable "adjustment event" (as hereinafter defined) (x) issuing to the Holder of any Debenture converted after such adjustment determination date and before the occurrence of such adjustment event, the additional shares of Common Stock or other securities issuable upon such conversion by reason of the adjustment required by such adjustment event over and above the cash and, if applicable, Common Stock issuable upon such conversion before giving effect to such adjustment and (y) paying to such Holder any amount in cash in lieu of any fractional shares. For purposes of this Section 10.05(xi), the term "adjustment event" shall mean:

(A) in any case referred to in clause (1) hereof, the occurrence of such event,

(B) in any case referred to in clause (2) hereof, the date any such dividend or distribution is paid or made,

(C) in any case referred to in clause (3) hereof, the date of expiration of such rights or warrants, and

(D) in any case referred to in clause (4) hereof, the date a sale or exchange of Common Stock pursuant to such tender or exchange offer is consummated and becomes irrevocable.

(xii) For purposes of this Section 10.05, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company shall not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

(xiii) No adjustment to the Conversion Rate shall be made pursuant to this Section 10.05 if the Holders of the Debentures may participate in the transaction that would otherwise give rise to adjustment pursuant to this Section 10.05.

SECTION 10.06. *Effect of Reclassification, Consolidation, Merger or Sale*.

(i) In the event of:

(A) any reclassification of the outstanding shares of Common Stock,

(B) any consolidation, merger, binding share exchange or combination of the Company with another Person, or

(C) any sale or conveyance to another Person of all or substantially all of the properties and assets of the Company (or all or substantially all of the assets of the Company and the Subsidiaries on a consolidated basis) as a result of which holders of Common Stock shall be entitled to receive capital stock, other securities or other property, assets or cash with respect to or in exchange for such Common Stock, then the Company or the successor or purchasing Person, as the case may be, shall execute with the Trustee a supplemental indenture (which shall comply with the TIA as in force at the date of execution of such supplemental indenture) providing that, after the effective date of the reclassification, consolidation, merger, binding share exchange, combination, sale or conveyance the Holder of each Debenture then outstanding shall have the right to convert such Debenture into Exchange Property. Such supplemental indenture shall provide for adjustments, which shall be as nearly equivalent as may be practicable to the adjustments provided for in Section 10.05. For the purpose of this Section 10.06, “Exchange Property” means the kind and amount of shares of capital stock, other securities or other property or assets (including cash) receivable upon such reclassification, change, consolidation, merger, binding share exchange, combination, sale or conveyance by a holder of Common Stock holding, immediately prior to the transaction, a number of shares of Common Stock equal to the Conversion Rate (plus Additional Shares, to the extent that the holder is entitled to Additional Shares in

accordance with Section 10.10 upon conversion) then in effect. Notwithstanding the foregoing, to the extent holders of the Company's Common Stock are permitted to elect the form of consideration to be received in such transaction, the Exchange Property will be deemed for all purposes under this Section 10.06 to be the weighted average of the types and amounts of consideration received by holders of Common Stock that affirmatively make an election or, if a majority of holders that affirmatively make an election choose a single option, the types and amounts received by those majority electing holders.

(ii) The Company shall cause notice of the execution of the supplemental indenture referred to in Section 10.06(i) to be mailed to each holder of Debentures, at its address appearing on the Security Register within 20 calendar days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of such supplemental indenture.

(iii) The above provisions of this Section shall similarly apply to successive reclassifications, consolidations, mergers, combinations, sales and conveyances.

(iv) If this Section 10.06 applies to any event or occurrence, Section 10.05 shall not apply.

SECTION 10.07. *Taxes on Shares Issued*. Certificates representing Common Stock will be issued and delivered only after all applicable taxes and duties, if any, payable by a Holder have been paid in full by the Holder. The Company shall not be required to pay any such tax which may be payable in respect of any transfer involved in the issue and delivery of stock in any name other than that of the Holder of any Debenture converted, and the Company shall not be required to issue or deliver any such stock certificate unless and until the Person or Persons requesting the issue thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

SECTION 10.08. *Reservation of Shares, Shares to be Fully Paid; Compliance with Governmental Requirements; Listing of Common Stock*. The Company shall provide, free from preemptive rights, out of its authorized but unissued shares or shares held in treasury, sufficient shares of Common Stock to provide for the conversion of the Debentures (including any Additional Shares and Deferred Interest Additional Shares) as required by this Indenture from time to time as such Debentures are presented for conversion.

Before taking any action which would cause an adjustment increasing the Conversion Rate to an amount that would cause the Conversion Price to be reduced below the then par value, if any, of the shares of Common Stock issuable, if any, upon conversion of the Debentures, the Company will take all corporate action which is, in the opinion of its counsel, necessary in order that the Company may validly and legally issue shares of such Common Stock at such adjusted Conversion Rate.

The Company covenants that all shares of Common Stock which may be issued upon conversion of Debentures (including any Additional Shares and Deferred Interest Additional Shares) will upon issue be fully paid and non-assessable by the Company and free from all taxes, liens and charges with respect to the issue thereof.

The Company covenants that, if any shares of Common Stock to be provided for the purpose of conversion of Debentures hereunder require registration with or approval of any governmental authority under any federal or state law before such shares may be validly issued upon conversion, the Company will in good faith and as expeditiously as possible, to the extent then permitted by the rules and interpretations of the SEC (or any successor thereto), endeavor to secure such registration or approval, as the case may be.

The Company further covenants that, if at any time the Common Stock shall be listed on NYSE or any other national securities exchange or automated quotation system, the Company will, if permitted by the rules of such exchange or automated quotation system, list and keep listed, so long as the Common Stock shall be so listed on such exchange or automated quotation system, all Common Stock issuable upon conversion of the Debentures; provided that if the rules of such exchange or automated quotation system permit the Company to defer the listing of such Common Stock until the first conversion of the Debentures in accordance with the provisions of this Indenture, the Company covenants to list such Common Stock issuable upon conversion of the Debentures in accordance with the requirements of such exchange or automated quotation system at such time.

SECTION 10.09. *Conversion-Related Notices by the Company*.

(i) In case:

(A) the Company shall declare a dividend (or any other distribution) on its Common Stock that would require an adjustment in the Conversion Rate pursuant to Section 10.05;

(B) the Company shall authorize the granting to the holders of all or substantially all of its Common Stock of rights or warrants to subscribe for or purchase any share of any class or any other rights or warrants;

(C) of any reclassification or reorganization of the Common Stock of the Company (other than a subdivision or combination of its outstanding Common Stock, or a change in par value, or from par value to no par value, or from no par value to par value) or of any consolidation or merger to which the Company is a party and for which approval of any stockholders of the Company is required, or of the sale or transfer (other than by pledge) of all or substantially all of the assets of the Company; or

(D) of the voluntary or involuntary dissolution, liquidation or winding up of the Company; the Company shall cause to be filed with the Trustee and to be mailed to each Holder of Debentures at its address appearing on the Security Register, as promptly as possible but in any event at least 10 calendar days prior to the applicable date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution or rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution or rights are to be determined, or (y) the date on which such reclassification, reorganization, dissolution, liquidation or winding up is expected to become effective or occur, and the date as of which it is expected that holders of

Common Stock of record shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reclassification, reorganization, dissolution, liquidation or winding up. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such dividend, distribution, rights or warrants, reclassification, reorganization, dissolution, liquidation or winding up.

(ii) The Company shall notify Holders and the Trustee as promptly as practicable following the date the Company publicly announces any Change in Control transaction but, to the extent practicable, in no event less than 25 Trading Days prior to the anticipated effective date of such transaction.

SECTION 10.10. *Make-Whole Fundamental Change*.

(i) If a Make-Whole Fundamental Change occurs, the Effective Date of which is on or prior to April 1, 2063, and a Holder elects to convert Debentures in connection with such Make-Whole Fundamental Change, the Company shall increase the applicable Conversion Rate for the Debentures surrendered for conversion by a number of additional shares of the Company's Common Stock (the "Additional Shares") determined as set forth in clause (v) below. A conversion of Debentures shall be deemed to be "in connection with" a Make-Whole Fundamental Change if the notice of conversion of the Debentures is received by the conversion agent from and including the Effective Date of the Make-Whole Fundamental Change transaction up to and including the date that is 35 days after such date, unless such transaction is also a Fundamental Change, the Holder specifies in the notice of conversion that such conversion is being made pursuant to the exercise of the Fundamental Change Option and the conversion takes place during the Fundamental Change Option Period.

(ii) The number of Additional Shares will be determined by reference to the table in clause (v) below and is based on the date on which the Make-Whole Fundamental Change becomes effective (the "Effective Date") and the price paid per share of the Company's Common Stock in the Make-Whole Fundamental Change transaction (the "Stock Price"). If the Make-Whole Fundamental Change is an Asset Sale Make-Whole Fundamental Change and the consideration paid for such property and assets consists solely of cash, the Stock Price shall be the cash amount paid for such property and assets, expressed as an amount per share of the Company's Common Stock outstanding on the Effective Date. If the Make-Whole Fundamental Change is a Common Stock Change Make-Whole Fundamental Change and holders of the Company's Common Stock receive only cash in the Make-Whole Fundamental Change transaction, the Stock Price will equal the cash amount paid per share. In all other cases, the Stock Price will equal the average of the Closing Sale Prices of the Common Stock over the five-Trading Day period ending on the Trading Day immediately preceding the Effective Date.

(iii) The Stock Prices set forth in the first row of the table below shall be adjusted as of any date on which the Conversion Rate of the Debentures is adjusted pursuant to Section 10.05 (but not for any increase to the Conversion Rate for a Make-Whole Fundamental Change pursuant to this Section 10.10). The adjusted Stock Prices shall equal the prices per share applicable immediately prior to such adjustment, multiplied by a fraction, (i) the numerator of which is the Conversion Rate immediately prior to the adjustment giving rise to the Stock Price adjustment and (ii) the denominator of which is the Conversion Rate as so adjusted.

(iv) The number of Additional Shares will be adjusted in the same manner and for the same events as the Conversion Rate of the Debentures is adjusted pursuant to Section 10.05(v).

(v) The following table sets forth the Stock Price and number of Additional Shares issuable per $1,000 principal amount of Debentures:

Number of Additional Shares (Per $1,000 Principal Amount of Debentures)

	Stock Price											
Effective Date	$ 11.25	$ 12.00	$ 13.50	$ 15.00	$ 20.00	$ 25.00	$ 30.00	$ 40.00	$ 50.00	$ 60.00	$ 80.00	$ 100.00
March 25, 2008	14.81	13.78	11.98	10.62	7.59	5.80	4.61	3.16	2.30	1.74	1.06	0.68
April 1, 2009	14.81	12.70	10.95	9.70	6.90	5.29	4.22	2.91	2.14	1.62	1.00	0.64
April 1, 2010	14.81	11.91	10.35	9.01	6.40	4.90	3.94	2.73	2.01	1.54	0.96	0.62
April 1, 2011	14.81	10.32	8.80	7.38	5.07	3.85	3.10	2.17	1.63	1.26	0.81	0.54
April 1, 2012	14.81	9.05	7.31	5.45	3.24	2.28	1.86	1.32	1.00	0.79	0.52	0.36
April 1, 2013	14.81	7.60	5.26	2.88	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
April 1, 2018	14.81	6.24	3.93	2.36	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
April 1, 2023	14.81	6.30	3.88	2.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
April 1, 2028	14.81	6.13	3.73	2.27	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
April 1, 2033	14.81	5.97	3.58	2.13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
April 1, 2038	14.81	5.80	3.43	2.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
April 1, 2043	14.81	5.63	3.28	1.87	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
April 1, 2048	14.81	5.47	3.13	1.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
April 1, 2053	14.81	5.30	2.99	1.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
April 1, 2058	14.81	5.13	2.84	1.47	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
April 1, 2063	14.81	4.97	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

(vi) If the exact Stock Price and Effective Date are not set forth on the table above, then:

(A) If the Stock Price is between two Stock Prices in the table or the Effective Date is between two Effective Dates in the table, the number of Additional Shares will be determined by a straight-line interpolation between the number of Additional Shares set forth for the higher and lower Stock Prices and the two dates, as applicable, based on a 365-day year.

(B) If the Stock Price is more than $100.00, subject to adjustment, the number of Additional Shares will be zero.

(C) If the Stock Price is less than $11.25, subject to adjustment, the number of Additional Shares will be zero.

(vii) Notwithstanding the foregoing, in no event will the total number of shares of Common Stock issuable upon conversion of a Debenture (after giving effect to any Additional Shares issuable pursuant to this Section 10.10) exceed 14.81 per $1,000 principal amount of

Debentures, subject to adjustment in the same manner and for the same events as the Conversion Rate may be adjusted pursuant to Section 10.05.

(viii) Within thirty (30) days before any anticipated Effective Date (such date of notice, the "Make-Whole Fundamental Change Notice Date") of a Make-Whole Fundamental Change, the Company shall mail, or cause to be mailed, to all Holders of record of the Debentures at their addresses shown in the Registrar, notice of, and the Company will publicly announce, through a reputable national newswire service, and publish on the Company's website, the anticipated Effective Date of such proposed Make-Whole Fundamental Change. In addition, no later than the third Business Day after the Effective Date of the Make-Whole Fundamental Change, the Company shall mail, or cause to be mailed, to all Holders of record of the Debentures at their addresses shown in the Registrar, notice of, and the Company will publicly announce, through a reputable national newswire service, and publish on the Company's website, the effectiveness of the Make-Whole Fundamental Change.

SECTION 10.11. *Alternative Conversion Right Upon a Fundamental Change.*

(i) Upon the occurrence of a Fundamental Change, if the Current Market Price of the Common Stock as of the Effective Date of any Fundamental Change multiplied by the Conversion Rate then in effect is less than $1,000, each Holder shall have the option (the "Fundamental Change Option") to convert all or a portion of such Holder's outstanding Debentures into fully paid and nonassessable shares of Common Stock at an adjusted Conversion Rate equal to the lesser of (x) $1,000 divided by such Current Market Price as of the Effective Date and (y) 250.0000 shares of Common Stock. The Fundamental Change Option shall be exercisable at any time during the 35-day period following the effective date of the Fundamental Change (the "Fundamental Change Option Period").

(ii) In lieu of issuing the shares of Common Stock issuable upon conversion in the event of a Fundamental Change, the Company may, at its option, make a cash payment equal to the Current Market Price as of such Effective Date for each share of such Common Stock otherwise issuable.

(iii) Within thirty (30) before any anticipated Effective Date (such date of notice, the "Fundamental Change Notice Date") of a Fundamental Change, the Company shall mail, or cause to be mailed, to all Holders of record of the Debentures at their addresses shown in the Registrar, notice of, and the Company will publicly announce, through a reputable national newswire service, and publish on the Company's website, the anticipated Effective Date of such proposed Fundamental Change. In addition, no later than the third Business Day after the Effective Date of the Fundamental Change, the Company shall mail, or cause to be mailed, to all Holders of record of the Debentures at their addresses shown in the Registrar notice of, and the Company will publicly announce, through a reputable national newswire service, and publish on the Company's website, the effectiveness of the Fundamental Change.

(iv) If a transaction constituting a Fundamental Change also constitutes a Make-Whole Fundamental Change and a Holder elects to convert its Debentures pursuant to the Fundamental Change Option, such Holder shall not be entitled to receive any Additional Shares.

(v) Holders electing to convert Debentures pursuant to the Fundamental Change Option must specify in the notice of conversion that the conversion is an exercise of the Fundamental Change Option.

(vi) If the conversion pursuant to the exercise of the Fundamental Change Option occurs at a time when there is outstanding any accrued and unpaid Deferred Interest in respect of prior interest periods, a converting Holder shall also be entitled to receive upon conversion Deferred Interest Additional Shares (or, if applicable, a cash payment in lieu thereof) as determined pursuant to Section 10.03 hereof.

(vii) As used herein and in the Debentures, a "Fundamental Change" shall be deemed to have occurred upon the occurrence of either a "Change in Control" or a "Termination of Trading."

(A) A "Change in Control" shall be deemed to have occurred at such time as:

(v) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 under the Exchange Act), directly or indirectly, of fifty percent (50%) or more of the Company's Voting Stock; or

(w) there occurs a sale, transfer, lease, conveyance or other disposition (other than a pledge), which for the purpose of this Section 10.11(vii)(A)(w) shall not mean a merger or consolidation discussed in Section 10.11(vii)(A)(x), of all or substantially all of the property or assets of the Company to any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), including any group acting for the purpose of acquiring, holding, voting or disposing of securities within the meaning of Rule 13d-5(b)(1) under the Exchange Act (such an event, an "Asset Sale Control Change"); or

(x) the Company consolidates with, or merges with or into, another Person or any Person consolidates with, or merges with or into, the Company, unless either:

(1) the persons that "beneficially owned" (as such term is used in Rule 13d-3 under the Exchange Act), directly or indirectly, the shares of the Company's Voting Stock immediately prior to such consolidation or merger, "beneficially own," directly or indirectly, immediately after such consolidation or merger, shares of the surviving or continuing Person's Voting Stock representing at least a majority of the total outstanding voting power of all outstanding classes of the Voting Stock of the surviving or continuing Person in substantially the same proportion as such ownership immediately prior to such consolidation or merger; or

(2) at least ninety percent (90%) of the consideration (other than cash payments for fractional shares or pursuant to statutory appraisal rights) in such consolidation or merger consists of common stock and, if applicable, any associated rights traded on a U.S. national securities

exchange (or which will be so traded when issued or exchanged in connection with such consolidation or merger), and, as a result of such consolidation or merger, the Debentures, upon conversion, will be convertible solely into such common stock and associated rights (such a consolidation or merger that satisfies the conditions set forth in this clause (B), a "Listed Stock Business Combination"); or

(y) the following persons cease for any reason to constitute a majority of the Company's Board:

(1) individuals who on the Issue Date constituted the Company's Board; and

(2) any new directors whose election to the Company's Board or whose nomination for election by the Company's stockholders was approved by at least a majority of the directors of the Company then still in office either who were directors of the Company on the Issue Date or whose election or nomination for election was previously so approved; or

(z) the Company is liquidated or dissolved or the holders of the Company's capital stock approve any plan or proposal for the liquidation or dissolution of the Company.

(B) A "Termination of Trading" shall be deemed to occur if the Common Stock of the Company (or other common stock into which the Debentures are then convertible) is no longer listed for trading on a U.S. national securities exchange.

SECTION 10.12. *Rights Distributions*. Upon conversion of any Debenture or a portion thereof, the Company shall make provision such that the Holder thereof shall receive, in addition to, and concurrently with the delivery of Common Stock, the rights described in any future shareholders' rights plan(s) of the Company adopted by the Company; provided, however, that no such provision need be made if the rights have been separated from the Common Stock prior to the time of such conversion, but the provisions of Section 10.05(v) shall apply.

ARTICLE 11

PAYMENT OF INTEREST

SECTION 11.01. *Interest Payments*. Interest on any Debenture that is payable, and is punctually paid or duly provided for, on any applicable Interest Payment Date shall be paid to the person in whose name that Debenture is registered at the Close of Business on the Regular Record Date or accrual date, as the case may be, for such interest at the office or agency of the Company maintained for such purpose. Each installment of interest payable in cash on any Debenture shall be paid in same-day funds by transfer to an account maintained by the payee located inside the United States, if the Trustee shall have received proper wire transfer instructions from such payee not later than the related Regular Record Date or accrual date, as the case may be, or, if no such instructions have been received by check mailed to the payee at its address set forth on the Registrar's books. In the case of a permanent Global Security,

interest payable on any applicable payment date will be paid to the Depositary, with respect to that portion of such permanent Global Security held for its account by Cede & Co. for the purpose of permitting such party to credit the interest received by it in respect of such permanent Global Security to the accounts of the beneficial owners thereof.

SECTION 11.02. *Defaulted Interest.* Except as otherwise specified with respect to the Debentures, any interest on any Debenture that is payable, but is not punctually paid or duly provided for, within 30 days following any applicable payment date (herein called "Defaulted Interest", which term shall include any accrued and unpaid interest that has accrued on such defaulted amount in accordance with paragraph 1 of the Debentures), shall forthwith cease to be payable to the registered Holder thereof on the relevant Regular Record Date or accrual date, as the case may be, by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (i) or (ii) below. All such Defaulted Interest shall be payable on the next Interest Payment Date.

(i) The Company may elect to make payment of any Defaulted Interest to the persons in whose names the Debentures are registered at the Close of Business on a special record date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Debenture and the date of the proposed payment (which shall not be less than 20 days after such notice is received by the Trustee), and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a special record date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such special record date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the special record date therefor to be mailed, first-class postage prepaid, to each Holder at such Holder's address as it appears on the list of Holders maintained pursuant to Section 2.07 not less than 10 days prior to such special record date. Notice of the proposed payment of such Defaulted Interest and the special record date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the persons in whose names the Debentures are registered at the Close of Business on such special record date and shall no longer be payable pursuant to the following clause (2).

(ii) The Company may make payment of any Defaulted Interest on the Debentures in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Debentures may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

SECTION 11.03. *Interest Rights Preserved.* Subject to the foregoing provisions of this Article 11 and Section 2.06, each Debenture delivered under this Indenture upon registration of

transfer of or in exchange for or in lieu of any other Debenture shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Debenture.

ARTICLE 12

MISCELLANEOUS

SECTION 12.01. *Trust Indenture Act Controls*. If any provision of this Indenture limits, qualifies, or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision shall control.

SECTION 12.02. *Notices; Address of Agency*.

(i) Any request, demand, authorization, notice, waiver, consent or communication shall be in writing and delivered in person or mailed by first-class mail, postage prepaid, addressed as follows or transmitted by facsimile transmission (confirmed by guaranteed overnight courier) to the following facsimile numbers:

if to the Company:

MGIC Investment Corporation
Attention: Treasurer
General Counsel
MGIC Plaza
250 East Kilbourn Avenue
Milwaukee, WI 53202
Fax: (414) 347-6959
(414) 347-2655

with a copy to:

Foley & Lardner LLP
Attention: Benjamin F. Garmer, III
Patrick G. Quick777
East Wisconsin Avenue
Milwaukee, WI 53202
Fax: (414) 297-5670

if to the Trustee:

U.S. Bank National Association
Attention: Steven F. Posto
1555 North RiverCenter Drive Suite 301
Milwaukee, WI 53212
Phone: (414) 905-5635
Fax: (414) 905-5049

The Company or the Trustee by notice given to the other in the manner provided above may designate additional or different addresses for subsequent notices or communications.

Any notice or communication given to a Holder shall be mailed to the Holder, by first-class mail, postage prepaid, at the Holder's address as it appears on the registration books of the Registrar and shall be sufficiently given if so mailed within the time prescribed.

Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not received by the addressee.

If the Company mails a notice or communication to the Holders, it shall mail a copy to the Trustee and each Registrar, Paying Agent, Conversion Agent or co-registrar.

(ii) Any request, demand, authorization, notice, waiver, consent or communication to be provided in connection with Section 10.02 shall be in writing and delivered in person or transmitted by facsimile transmission (confirmed by guaranteed overnight courier) to the following facsimile numbers or via e-mail to the account or accounts specified by the Company by written notice to the Trustee:

if to the Company:

MGIC Investment Corporation
Attention: Treasurer
General Counsel
MGIC Plaza
250 East Kilbourn Avenue
Milwaukee, WI 53202
Fax: (414) 347-6959
(414) 347-2655

with a copy to:

Foley & Lardner LLP
Attention: Benjamin F. Garmer, III
Patrick G. Quick777
East Wisconsin Avenue
Milwaukee, WI 53202
Fax: (414) 297-5670

if to the Trustee:

U.S. Bank National Association
Attention: Specialized Finance
60 Livingston Avenue
St. Paul, MN 55107
Phone: (651) 495-3520
Fax: (651) 495-8158

Any notice party set forth in this Section 12.02(b) by notice given to the others in the manner provided above may designate additional or different addresses for subsequent notices or communications, including e-mail addresses.

SECTION 12.03. *Communication by Holders with Other Holders*. Holders may communicate pursuant to TIA Section 312(b) with other Holders with respect to their rights under this Indenture or the Debentures. The Company, the Trustee, the Registrar, the Paying Agent, the Conversion Agent and anyone else shall have the protection of TIA Section 312(c).

SECTION 12.04. *Certificate and Opinion as to Conditions Precedent*. Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(i) an Officer's Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(ii) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

SECTION 12.05. *Statements Required in Certificate or Opinion*. Unless the Trustee agrees, in its sole discretion, to accept a different form or format, each Officer's Certificate or Opinion of Counsel with respect to compliance with a covenant or condition provided for in this Indenture shall include:

(i) a statement that each person making such Officer's Certificate or Opinion of Counsel has read such covenant or condition;

(ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such Officer's Certificate or Opinion of Counsel are based;

(iii) a statement that, in the opinion of each such person, he has made such examination or investigation as is necessary to enable such person to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(iv) a statement that, in the opinion of such person, such covenant or condition has been complied with.

SECTION 12.06. *Separability Clause*. In case any provision in this Indenture or in the Debentures shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 12.07. *Rules by Trustee, Paying Agent, Conversion Agent and Registrar*. The Trustee may make reasonable rules for action by or a meeting of Holders. The Registrar, Conversion Agent and the Paying Agent may make reasonable rules for their functions.

SECTION 12.08. *Legal Holidays*. A "Legal Holiday" is any day other than a Business Day. If any specified date (including a date for giving notice) is a Legal Holiday, the action shall be taken on the next succeeding day that is not a Legal Holiday, and, if the action to be taken on such date is a payment in respect of the Debentures, interest shall not accrue for the intervening period.

SECTION 12.09. *Governing Law*. THE LAWS OF THE STATE OF NEW YORK SHALL GOVERN THIS INDENTURE AND THE SECURITIES.

SECTION 12.10. [Intentionally Left Blank]

SECTION 12.11. *Limitation on Claim for Deferred Interest.* Each Holder of a Debenture, by such Holder's acceptance thereof, agrees that upon any payment or distribution of assets to creditors of the Company upon any liquidation, dissolution, winding up, reorganization, or in connection with any insolvency, receivership or proceeding with respect to the Company, whether voluntary or not, such Holder shall not have a claim for, and no right to receive, deferred and unpaid interest (including Compounded Interest thereon) that has not been settled through the application of the Alternative Payment Mechanism, to the extent that the aggregate amount of such interest exceeds the sum of (x) interest that relates to the earliest two years of the portion of the deferral period for which interest has not been paid and (y) an amount equal to such Holder's pro rata share of the excess, if any, of the Preferred Stock Issuance Cap over the aggregate amount of net proceeds from the sale of Qualifying Preferred Stock and unconverted mandatorily convertible Preferred Stock that we have applied to pay Deferred Interest pursuant to the Alternative Payment Mechanism; provided that each Holder is deemed to agree that to the extent the claim for Deferred Interest exceeds the amount set forth in clause (x), the amount it receives in respect of such excess will not exceed the amount it would have received had the claim for such excess ranked pari passu with the interests of the holders, if any, of Qualifying Preferred Stock.

SECTION 12.12. *No Recourse Against Others*. A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Debentures or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Debenture, each Holder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Debentures.

SECTION 12.13. *Successors*. All agreements of the Company in this Indenture and the Debentures shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 12.14. *Multiple Originals*. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Indenture.

(Signature Pages Follow)

IN WITNESS WHEREOF, the undersigned, being duly authorized, have executed this Indenture on behalf of the respective parties hereto as of the date first above written.

MGIC INVESTMENT CORPORATION

By: /s/ J. Michael Lauer
Name: J. Michael Lauer
Title: Executive Vice President and Chief Financial Officer

U.S. BANK NATIONAL ASSOCIATION,
as trustee

By: /s/ Steven F. Posto
Name: Steven F. Posto
Title: Assistant Vice President

EXHIBIT A

[FORM OF FACE OF SECURITY]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF THE DEPOSITORY TRUST COMPANY, OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN ARTICLE TWO OF THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.[1]

THE DEBENTURES AND THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF THIS DEBENTURE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR ANY STATE SECURITIES LAWS. NEITHER THIS DEBENTURE, THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF THIS DEBENTURE NOR ANY INTEREST OR PARTICIPATION HEREIN OR THEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION.[2]

BY ITS ACQUISITION HEREOF, THE HOLDER AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH DEBENTURE PRIOR TO THE DATE WHICH IS SIX MONTHS AFTER THE LATER OF THE LAST ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS DEBENTURE (OR ANY PREDECESSOR OF THIS DEBENTURE) ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE

(D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS DEBENTURE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.[3]

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[1] This paragraph should be included if the Debenture is a Global Security.

[2] This paragraph should be included only if the Debenture is a Restricted Security.

[3] This paragraph should be included only if the Debenture is a Restricted Security.

9% CONVERTIBLE JUNIOR SUBORDINATED DEBENTURES DUE 2063

CUSIP 552848 AB 9

No. R-1

$_____

MGIC INVESTMENT CORPORATION

This Debenture is one of a duly authorized series of Securities of MGIC INVESTMENT CORPORATION (the "Debentures"), all issued under and pursuant to an indenture (the "Indenture") dated as of March 28, 2008, duly executed and delivered by MGIC INVESTMENT CORPORATION, a Wisconsin corporation (the "Company," which term includes any successor person under the Indenture, as hereinafter referred to), and U.S. Bank National Association (the "Trustee"), between the Company and the Trustee, to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the Holders of the Debentures.

The Company, for value received, hereby promises to pay to Cede & Co. or its registered assigns, the principal sum of [___] U.S. Dollars ($) on the Maturity Date of the Debentures, subject to earlier conversion by the Holders thereof pursuant to Section 10.01 of the Indenture.

Subject to Section 2.08 and Section 2.09 of the Indenture, Interest Payment Dates shall be April 1 and October 1, commencing on October 1, 2008.

Reference is hereby made to the further provisions of this Debenture set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth here.

IN WITNESS WHEREOF, the Company has caused this instrument to be signed manually or by facsimile by its duly authorized officer.

MGIC INVESTMENT CORPORATION

By: _____
Name: J. Michael Lauer
Title: Executive Vice President and Chief Financial Officer

This is one of the Debentures referred to in the within-mentioned Indenture:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Signatory

Dated March 28, 2008

[Form of Reverse of Debenture]

9% CONVERTIBLE JUNIOR SUBORDINATED DEBENTURES DUE 2063

To the extent permitted by applicable law, to the extent that any rights or other provisions of this Debenture differ from or are inconsistent with those contained in the Indenture, then the Indenture shall control. Capitalized terms used herein but not defined shall have the meanings assigned to them in the Indenture unless otherwise indicated.

1. Interest. MGIC Investment Corporation., a Wisconsin corporation (including any successor person under the Indenture hereinafter referred to, the "Company"), promises to pay interest on the principal amount of this Debenture at the Debenture Interest Rate (as defined below) from March 28, 2008 to the Maturity Date or such earlier date as this Debenture is converted in accordance with Section 10.01 and Section 10.11 of the Indenture.

Subject to Section 2.08 and Section 2.09 of the Indenture, this Debenture will accrue interest at a rate per annum of 9% of the principal amount hereof (the "Debenture Interest Rate"), payable semi-annually in arrears on April 1 and October 1 of each year (each an "Interest Payment Date"), commencing on October 1, 2008. Interest not paid on any Interest Payment Date, including any interest deferred during any Optional Deferral Period, will accrue and compound semi-annually at the Debenture Interest Rate, to the extent permitted by applicable law, as provided in the Indenture. Subject to Section 2.08(i)(B) of the Indenture, such interest will accrue and compound to the date that it is actually paid.

The amount of interest on this Debenture payable for any Interest Payment Date shall be computed (i) for any full Interest Payment Period, on the basis of a 360-day year of twelve 30-day months, (ii) for any period shorter than a full Interest Payment Period, on the basis of 30-day months and (iii) for any period shorter than a 30-day month, on the basis of the actual number of days elapsed in that period.

2. Method of Payment. For so long as the Debenture is held in book-entry-only form, interest shall be paid on each Interest Payment Date to the Person in whose name the Debenture is registered in the Security Register at 5:00 p.m., New York City time, on the last Business Day prior to the Interest Payment Date (each such date a "Regular Record Date"). In the event that the Debenture is no longer held in book-entry-only form or is not represented by Global Securities, the Company may select different Regular Record Dates, which must each be at least one Business Day before the relevant Interest Payment Date.

Payment of principal of and interest on the Debenture shall be made, the transfer of the Debenture will be registrable and the Debenture will be exchangeable for Debentures of other denominations of a like principal amount at the office or agency of the Trustee maintained for such purpose, initially the Corporate Trust Office. Payment of any principal and interest on Debentures issued as Global Securities[, including this Debenture,][1] shall be payable by the Company through the Paying Agent to the Depositary in immediately available funds. At the Company's option, interest on Debentures issued in physical form may be payable (i) by a U.S. dollar check drawn on a bank in The City of New York mailed to the address of the Person

1 Include for Global Securities.

entitled thereto as such address shall appear in the Security Register, or (ii) upon application to the Registrar not later than 10 days before the Interest Payment Date by a Holder of Debentures having an aggregate principal amount in excess of $2,000,000, by wire transfer in immediately available funds, which application shall remain in effect until the Holder of Debentures notifies, in writing, the Registrar to the contrary.

3. Paying Agent, Registrar and Conversion Agent. Initially, U.S. Bank National Association, the Trustee under the Indenture, will act as Paying Agent, Registrar and Conversion Agent. The Company may change any Paying Agent, Registrar or Conversion Agent without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

4. Indenture. The terms of this Debenture include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended ("TIA"). This Debenture is subject to all such terms, and Holders are referred to the Indenture and the TIA for a statement of all such terms. To the extent any provision of this Debenture conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. This Debenture is an obligation of the Company.

5. Optional Deferral of Interest. Subject to Section 2.09 of the Indenture, as long as no Event of Default has occurred and is continuing, the Company shall have the right at any time and from time to time, to defer payments of interest on this Debenture by extending the Interest Payment Period on the Debenture for a period not exceeding 10 years, in the aggregate, following the Interest Payment Date on which interest was deferred (an "Optional Deferral Period"). During an Optional Deferral Period, Deferred Interest on this Debenture shall not be due and payable, but will continue to accrue and compound semi-annually, to the extent permitted by applicable law, at the Debenture Interest Rate.

An Optional Deferral Period shall terminate on such date as all accrued and unpaid interest, together with Compounded Interest, if any, has been paid by the Company, provided that in no event shall an Optional Deferral Period extend beyond the date which is 10 years following the commencement of the Optional Deferral Period, beyond the Maturity Date of this Debenture. Upon termination of an Optional Deferral Period, the Company may commence a new Optional Deferral Period, subject to the other conditions in Section 2.09 of the Indenture, there being no limit to the number of such new Optional Deferral Periods the Company may elect.

During an Optional Deferral Period, the Company shall be subject to the covenants set forth in Section 4.05 of the Indenture.

6. Deferral of Interest in General. Any Deferred Interest will in all events be due and payable upon the Maturity Date, subject, in the case of Foregone Interest, to Section 2.09(vi) of the Indenture.

At the termination of any Optional Deferral Period, the Company shall pay all Deferred Interest then accrued and unpaid, together with Compounded Interest, on the Interest Payment Date on which such Optional Deferral Period terminates.

In no event shall any Optional Deferral Period (i) exceed 10 consecutive years following the first Interest Payment Date on which any interest payment was deferred pursuant to Section 2.09 of the Indenture, (ii) unless Deferred Interest is satisfied using the Alternative Payment Mechanism, end on a date other than an Interest Payment Date or (iii) extend beyond the Maturity Date. For purposes of determining compliance with the foregoing limitation on any Optional Deferral Period, (x) only when all Deferred Interest has been paid shall any Optional Deferral Period end; and (y) after the commencement of an Optional Deferral Period, the period from the first Interest Payment Date for which interest is deferred pursuant to Section 2.09 of the Indenture and ending on the date on which all Deferred Interest, including Compounded Interest, is paid in full, shall be included for purposes of calculating the length of an Optional Deferral Period.

7. No Sinking Fund. The Company shall not be required to make mandatory redemption or sinking fund payments with respect to the securities.

8. Conversion. Subject to earlier Maturity, Holders may surrender Debentures in integral multiples of $1,000 principal amount for conversion into shares of Common Stock at the Conversion Rate in effect on the Conversion Date, by surrender of the interest in this Debenture so to be converted in whole or in part, together with any required funds, under in accordance with Section 10.01 and 10.02 of the Indenture.

[In order to exercise the conversion right with respect to any Debenture in certificated form, the Company must receive at the office or agency of the Company maintained for that purpose in The City of New York pursuant to Section 10.2 of the Base Indenture or, at the option of the Holder of such Debenture, the Corporate Trust Office, such Debenture with the original or facsimile of the form entitled “Conversion Notice” attached hereto, duly completed and manually signed, together with such Debenture duly endorsed for transfer, accompanied by the funds, if any, required by Section 10.02 of the Indenture.

Such notice shall also state the name or names (with address or addresses) in which the certificate or certificates for any shares of Common Stock which shall be issuable on such conversion shall be issued, and shall be accompanied by transfer or similar taxes, if required pursuant to Section 10.07 of the Indenture. In addition, if the conversion is being made pursuant to the exercise of the Fundamental Change Option, the conversion notice shall so state.][2]

[In order to exercise the conversion right, the beneficial owner must arrange for its broker, dealer or other DTC participant to complete, or cause to be completed, the appropriate instruction form for conversion pursuant to the Depositary’s book-entry conversion program; deliver, or cause to be delivered, by book-entry delivery an interest in such Global Security; furnish appropriate endorsements and transfer documents if required by the Company or the Trustee or conversion agent; and pay the funds, if any, required by Section 10.02 of the Indenture and any transfer taxes if required pursuant to Section 10.07 of the Indenture.][3]

9. Denomination, Transfer and Exchange. The Debentures are only in fully registered form without coupons in denominations of $1,000 and any integral multiple thereof.

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2 Include for definitive Debentures.

3 Include for Global Securities.

As provided in the Indenture and subject to certain limitations herein and therein set forth, Debentures so issued are exchangeable for a like aggregate principal amount of Debentures of a different authorized denomination, as requested by the Holder surrendering the same.

As provided in the Indenture and subject to certain limitations therein set forth, this Debenture is transferable by the registered Holder hereof on the Security Register of the Company, upon surrender of this Debenture for registration of transfer at the office or agency of the Trustee accompanied by a written instrument or instruments of transfer in form satisfactory to the Company or the Trustee, duly executed by the registered Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Debentures of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees. No service charge will be made for any such transfer, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in relation thereto.

10. Subordination. The payment of principal of and interest on this Debenture is, to the extent and in the manner provided in the Indenture, subordinated and subject in right of payment to the prior payment in full of all amounts then due on all Senior Indebtedness of the Company, and this Debenture is issued subject to such subordination provisions contained in the Indenture. Each Holder of this Debenture, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on such Holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination so provided and (c) appoints the Trustee such Holder's attorney-in-fact for any and all such purposes.

11. Amendments and Supplements. The Indenture provides for amendments, supplements and waivers with respect to the Indenture as set forth in Article Nine of the Indenture.

12. Covenants. The Indenture specifies covenants of the Company with respect to the Debentures, as set forth in Article Ten of the Base Indenture as supplemented by Article 3 of the Indenture.

13. Persons Deemed Owners. The registered Holder of this Debenture shall be treated as its owner for all purposes.

14. Modification of Indenture. With the consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Debentures, the Company, when authorized by a Board Resolution, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental to the Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or of modifying in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or of modifying in any manner the rights of the Holders of the Debentures; provided, however, that, no such supplemental indenture shall, without the consent of the Holder of each Debenture affected, (i) change the Maturity Date, (ii) change the date of any interest payment due upon the Debentures; (iii) reduce the principal amount of, or the interest on, the Debentures; (iv) adversely affect the rights of the Holders to convert the Debentures; (v) reduce the amount of or change the form of consideration due to

Holders of the Debentures upon their conversion thereof; (vi) change the currency of payment of the Debentures to a currency other than U.S. dollars; (vii) impair the right to institute suit for the enforcement of any payment on the Debentures or adversely affect the right of repayment, if any, at the option of the Holder; or (viii) reduce the percentage of holders necessary to modify or amend the Indenture or to waive any past default.

15. Events of Default and Covenant Defaults. Subject to the provisions of Article Nine of the Indenture, each of the following events shall be an Event of Default with respect to this Debenture, giving rise to a right in Holders hereof to declare the principal amount of this Debenture plus accrued and unpaid interest to be due and payable immediately:

(i) default in the payment of accrued interest in full on the Debentures on any Interest Payment Date (whether or not such Interest Payment Date commenced an Optional Deferral Period) and our failure on or before the conclusion of a ten-year period following such Interest Payment Date to pay interest (including Compounded Interest) then accrued in full;

(ii) default in the payment of the principal of the Debentures when due, whether on the Final Maturity Date, upon redemption, upon a declaration of acceleration or otherwise;

(iii) default in the Company's obligation to satisfy its conversion obligation upon exercise of a Holder's conversion right, which default continues for 15 days after performance is due;

(iv) certain events of bankruptcy, insolvency and reorganization, whether voluntary or not, as set forth in clause (i)(D) of Section 6.01 of the Indenture.

The Indenture provides for Covenant Defaults and remedies relating thereto with respect to the Debentures as set forth in Article Six of the Indenture.

By acquiring this Debenture, the Holder agrees that if there is an Event of Default pursuant to Section 6.01(i)(D) of the Indenture prior to the Final Maturity Date or conversion of the Debentures, any unpaid Deferred Interest, or Compounded Interest thereon, in excess of the amount of such interest that is equal to two years of accrued and unpaid interest (including Compounded Interest on the two earliest years of Deferred Interest) on the Debentures (the "Foregone Interest") shall not be due and payable and the Holder shall have no claim for, and thus no right to receive, such Foregone Interest. Subject to the foregoing, any Deferred Interest will in all events be due and payable upon the Final Maturity Date.

16. Tax Treatment. Except with respect to withholding on payments of interest to non-U.S. Holders, the Company agrees, and by acquiring an interest in a Debenture each beneficial owner of a Debenture agrees, to treat the Debenture as indebtedness for U.S. federal income tax purposes.

17. Governing Law. The Indenture and this Debenture shall be governed by, and construed in accordance with, the laws of the State of New York.

18. Trustee Dealings with Company. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

19. No Recourse Against Others. No recourse shall be had for the payment of the principal of, or the interest on, this Debenture, or for any claim based hereon or otherwise in respect hereof, or based on or in respect of the Indenture, against any incorporator, shareholder, officer or director, past, present or future, as such, of the Company or of any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issuance hereof, expressly waived and released.

20. Authentication. This Debenture shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

21. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

22. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Debentures and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Debentures or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

23. Copies of Indenture. The Company will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to:

MGIC Investment Corporation
Attention: Secretary
MGIC Plaza
250 East Kilbourn Avenue
Milwaukee, WI 53202

MGIC INVESTMENT CORPORATION

Assignment Form

To assign this Debenture, fill in the form below:

(I) or (we) assign and transfer this Debenture to

(Insert assignee’s soc. sec. or other tax I.D. no.)

(Print or type assignee’s name, address and zip code)

and irrevocably appoint as agent to transfer this Debenture on the books of the Company. The agent may substitute another to act for him.

Date: Your Signature:

(Sign exactly as your name appears on the face of this Debenture)

Signature

Guarantee:

Signatures must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended

CONVERSION NOTICE

To convert this Debenture in accordance with the Indenture, check the box: o

To convert this Debenture pursuant to the exercise of a Fundamental Change Option, check the box: o

To convert only part of this Debenture, state the principal amount to be converted (must be in multiples of $1,000):

$_____

If you want the stock certificate made out in another person's name, fill in the form below:

_____

(Insert other person's soc. Sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type other person's name, address and zip code)

_____

Date:_____

Signature(s):_____

_____ (Sign exactly as your name(s) appear(s) on the other side of this Debenture)

Signature(s) guaranteed by:

_____

(All signatures must be guaranteed by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.)

[SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL DEBENTURE

The following exchanges of a part of this Global Security for an interest in another Global Security or for a definitive Debenture, or exchanges of a part of another Global Security or definitive Debenture for an interest in this Global Security, have been made:

Amount of increase Principal Amount		
Amount of decrease in Principal Amount of this Global in principal amount of this Debenture	Debenture following such decrease (or increase)	Signature of authorized signatory of Trustee [or Custodian]

3 Include for Global Securities.

RESTRICTED STOCK AND RESTRICTED STOCK UNIT AGREEMENT

THIS RESTRICTED STOCK AND RESTRICTED STOCK UNIT AGREEMENT is made and entered into as of the date indicated on the signature page under "Date of Agreement" by and between MGIC Investment Corporation, a Wisconsin corporation (the "Company"), and the employee of Mortgage Guaranty Insurance Corporation whose signature is set forth on the signature page hereto (the "Employee").

INTRODUCTION

The Company is awarding shares of the Company's Common Stock, $1.00 par value per share (the "Stock"), and Restricted Stock Units to the Employee under the MGIC Investment Corporation 2002 Stock Incentive Plan (the "Plan") and this Agreement.

This Agreement consists of this instrument and the Incorporated Terms Dated As of February 28, 2008 to Restricted Stock and Restricted Stock Unit Agreement (the "Incorporated Terms"), which although not attached to this instrument, are part of this Agreement and were provided to the Employee as indicated in Paragraph 1(b) below.

The parties mutually agree as follows:

1. Award of Restricted Stock and RSUs; Incorporated Terms.

(a) Subject to the terms and conditions set forth herein, the Company awards the Employee (i) the number of shares of Stock as follows: the number of shares referred to after "Shares of Base Restricted Stock" on the signature page shall be the "Base Restricted Stock"; the number of shares referred to after "Shares of Matching Restricted Stock" on the signature page shall be the "Matching Restricted Stock"; and the number of shares referred to after "Shares of Time Vested Restricted Stock" shall be the "Time Vested Restricted Stock," except that if after "Time Vested Restricted Stock Units" on the signature page "Yes" appears, then all shares of Stock referred to after "Time Vested Restricted Stock" shall be awarded in the form of Restricted Stock Units (such Restricted Stock Units, the "Time Vested RSUs"); and (ii) the number of Restricted Stock Units equal to the number referred to after "Performance RSUs" shall be the "Performance RSUs," provided that if the Employee is Curt S. Culver, Patrick Sinks, J. Michael Lauer, Lawrence J. Pierzchalski or Jeffrey H. Lane such awards shall be cancelled unless the shareholders of the Corporation approve, in accordance with Section 162(m) of the Internal Revenue Code of 1986, as amended, a list of performance goals that covers the Goal and the Aggregate Percentage Achievement. The term "Restricted Stock" as used in the remainder of this Agreement shall be applied separately to the Base Restricted Stock, the Matching Restricted Stock and the Time Vested Restricted Stock as if the term "Restricted Stock" were the term "Base Restricted Stock," "Matching Restricted Stock," or "Time Vested Restricted Stock," as the case may be. As used in this Agreement, the term "RSUs" means collectively all Time Vested RSUs and all Performance RSUs.

(b) The Incorporated Terms are incorporated in this instrument with the same effect as if they were physically set forth in this instrument. The Incorporated Terms and this instrument constitute a single agreement which is referred to as "this Agreement." The terms "herein," "hereof," "above" and similar terms used in this Agreement refer to this Agreement as a whole. The "Award Notification" is the document entitled "2008 Long Term Incentive Stock Award" that was delivered to the Employee by the Company in February or March 2008 to notify the Employee of the award of restricted equity the legal terms of which are set forth in this Agreement. The Employee agrees if there is any difference between the number of shares or Performance RSUs determined by (i) the Award Notification, as delivered to the Employee, and (ii) the number of shares or Performance RSUs awarded by the Committee, as reflected in the records of the Committee, the number of shares or Performance RSUs reflected in the records of the Committee shall control. The Incorporated Terms were attached to an email sent in May 2008 to the Employee from an Assistant Secretary of the Company which included other documents relating to the Restricted Stock. The Company is hereby advising the Employee to print and retain a copy of the Incorporated Terms. The Employee agrees if there is any difference between the text of the Incorporated Terms obtained as indicated above and the text of the Incorporated Terms retained by the Company's Secretary, the text of the copy retained by the Secretary will control.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer, and the Employee has hereunto affixed his hand and seal, all as of the day and year set forth below.

Date of Agreement: As of February 28, 2008

MGIC INVESTMENT CORPORATION

By: _____

Title:

Sign Here: ð (SEAL)

_____

Name:

Shares of Base Restricted Stock: -0-

Shares of Matching Restricted Stock: -0-

Shares of Time Vested Restricted Stock: The number set forth after the caption "Time Vested Shares" in the Award Notification

Performance RSUs: The number set forth after the caption "Performance Vested Shares" in the Award Notification

Time Vested Restricted Stock Units:

Base Restricted Stock
Release Date: Not Applicable

Matching Restricted Stock
Release Date: Not Applicable

Time Vested Restricted Stock Release Date:	Each of February 10, 2009 – 2011
RSU Settlement Date:	
Performance RSUs Release Date:	Each of February 10, 2009 – 2011
Holding Period:	Applicable
Threshold Expense Ratio:	
Target Expense Ratio:	
Maximum Expense Ratio:	
Threshold Loss Ratio:	
Target Loss Ratio:	
Maximum Loss Ratio:	
Threshold Share:	
Target Share:	
Maximum Share:	
Goal:	Applicable

* * * *

Beneficiary: _____

Address of Beneficiary:

_____

_____

Beneficiary Tax Identification No: _____

INCORPORATED TERMS
DATED AS OF FEBRUARY 28, 2008
TO
RESTRICTED STOCK AND
RESTRICTED STOCK UNIT AGREEMENT

The following are the "Incorporated Terms" referred to in the instrument entitled "Restricted Stock and Restricted Stock Unit Agreement" which refers to these Incorporated Terms and which has been signed by the Company and the Employee (the "Base Instrument"). The Incorporated Terms and the Base Instrument constitute a single agreement and that agreement consists of the Base Instrument and the Incorporated Terms. The Incorporated Terms dovetail with the Base Instrument; because the last paragraph of the Base Instrument is Paragraph 1, the Incorporated Terms begin with Paragraph 2.

2. Restrictions. (a) (i) Except as otherwise provided herein, the Base Restricted Stock, the Matching Restricted Stock and the Time Vested Restricted Stock may not be sold, transferred or otherwise alienated or hypothecated until, in the case of the Base Restricted Stock, the date set forth after "Base Restricted Stock Release Date" on the signature page; in the case of the Matching Restricted Stock, the date set forth after "Matching Restricted Stock Release Date" on the signature page; and in the case of the Time Vested Restricted Stock, until the Release Date determined as follows.

(A) For each date set forth after "Time Vested Restricted Stock Release Date" on the signature page, divide the number of shares referred to after "Shares of Time Vested Restricted Stock" by the sum of one and the difference between the latest year set forth after "Time Vested Restricted Stock Release Date" on the signature page and the earliest year set forth thereafter. The resulting quotient, rounded down to the nearest whole share, is the number of shares of Restricted Stock that shall be released from such restrictions on each date set forth after "Time Vested Restricted Stock Release Date" and such date shall be the Release Date for such shares (and only for such shares), except that if after "Goal" on the signature page "Applicable" appears, then such date shall be a Release Date only if the condition set forth after "Goal" applicable to such Release Date is satisfied, provided that if such condition is not satisfied, the number of shares for which a Release Date did not occur as a result thereof (the "Unreleased Shares"), shall be added to the number of shares that are released on the next date on which a Release Date occurs, and provided further that if on the last date set forth after "Time Vested Restricted Stock Release Date" on the signature page, there are Unreleased Shares, such shares shall be released on earliest of the next two anniversaries of such last date on which the condition set forth after "Goal" is satisfied and such anniversary shall be a Release Date.

(B) As used herein, "Combined Ratio" shall mean, for any year, the sum of the Incurred Loss Ratio and the Expense Ratio for such year, expressed as a percentage. "Incurred Loss Ratio" shall mean, for any year, the ratio, expressed as a percentage, of the Company's direct losses incurred from primary NIW written that year to its direct premiums written from primary NIW written that year, in each case as computed in accordance with Past Practices. "Expense Ratio" shall mean, for any year, the ratio, expressed as a percentage, of the underwriting and other expenses of the Company's insurance company subsidiaries that year to

its net premiums written that year, in each case as computed in accordance with Past Practices. As used herein, “Past Practices” shall mean the manner in which the applicable item was calculated by the Company prior to the date of this Agreement.

(ii) The term “Release Date” shall be applied separately to the Base Restricted Stock, the Matching Restricted Stock and the Time Vested Restricted Stock as if the term “Release Date” were the term “Base Restricted Stock Release Date,” the term “Matching Restricted Stock Release Date,” or the term “Time Vested Restricted Stock Release Date,” as the case may be, and such application shall correspond to the application of the term “Restricted Stock” as set forth in Paragraph 1(a) of the Base Instrument.

(b) The Release Date for Time Vested RSUs shall be the same as the Release Date for the Time Vested Restricted Stock.

(c)(i) The Release Date for Performance RSUs shall be determined as follows. For each date set forth after “Performance RSUs Release Date” on the signature page, multiply the number referred to after “Performance RSUs” on the signature page by the product of (i) the Aggregate Percentage Achievement for the fiscal year of the Company ended on the December 31 immediately preceding such date and (ii) one-third. The resulting product, rounded down to the nearest whole RSU, is the number of Performance RSUs for which a Release Date shall occur on the corresponding date set forth after “Performance RSUs Release Date” and such date shall be the Release Date for such RSUs (and only for such RSUs); provided that the number of Performance RSUs for which a Release Date occurs shall in no event exceed the number of Performance RSUs that, when added together with Performance RSUs as to which a Release Date has previously occurred under this Agreement, equals the number set forth after “Performance RSUs” on the signature page. The “Aggregate Percentage Achievement” for any year shall mean the sum of the Expense Ratio Achievement Percentage, the Loss Ratio Achievement Percentage and the Share Achievement Percentage for such year.

(ii) The “Expense Ratio Achievement Percentage” for any year shall be determined as follows:

(A) If the Company’s Expense Ratio for such year is equal to or higher than the Expense Ratio set forth after “Maximum Expense Ratio” on the signature page, then the Expense Ratio Achievement Percentage shall be 0%;

(B) If the Company’s Expense Ratio for such year is equal to the Expense Ratio set forth after “Target Expense Ratio” on the signature page, then the Expense Ratio Achievement Percentage shall be 33.34%;

(C) If the Company’s Expense Ratio for such year is equal to or lower than the Expense Ratio set forth after “Threshold Expense Ratio” on the signature page, then the Expense Ratio Achievement Percentage shall be 50%; and

(D) If the Company’s Expense Ratio for such year is between the Maximum Expense Ratio and the Target Expense Ratio, or between the Target Expense Ratio and the Threshold Expense Ratio, then the Expense Ratio Achievement Percentage shall be

correspondingly interpolated on a linear basis between 0% and 33.34%, or between 33.34% and 50%, respectively.

(iii) The "Loss Ratio Achievement Percentage" for any year shall be determined as follows:

(A) If the Company's Loss Ratio for such year is equal to or higher than the Expense Ratio set forth after "Maximum Loss Ratio" on the signature page, the Loss Ratio Achievement Percentage shall be 0%;

(B) If the Company's Loss Ratio for such year is equal to the Loss Ratio set forth after "Target Expense Ratio" on the signature page, then the Loss Ratio Achievement Percentage shall be 33.33%;

(C) If the Company's Loss Ratio for such year is equal to or lower than the Loss Ratio set forth after "Threshold Loss Ratio" on the signature page, then the Loss Ratio Achievement Percentage shall be 50%; and

(D) If the Company's Loss Ratio for such year is between the Maximum Loss Ratio and the Target Loss Ratio, or between the Target Loss Ratio and the Threshold Loss Ratio, then the Loss Ratio Achievement Percentage shall be correspondingly interpolated on a linear basis between 0% and 33.33%, or between 33.33% and 50%, respectively.

"Loss Ratio" for any year shall mean the ratio, expressed as a percentage, of the Company's direct losses incurred from primary NIW written that year to its direct premiums earned from primary NIW written that year, in each case as computed in accordance with Past Practices.

(iv) The "Share Achievement Percentage" for any year shall be determined as follows:

(A) If the Company's Flow Market Share for such year is equal to or lower than the Flow Market Share set forth after "Threshold Share" on the signature page, then the Flow Market Share Achievement Percentage shall be 0%;

(B) If the Company's Flow Market Share for such year is equal to the Flow Market Share set forth after "Target Share" on the signature page, then the Flow Market Share Achievement Percentage shall be 33.33%;

(C) If the Company's Flow Market Share for such year is equal to or higher than the Flow Market Share set forth after "Maximum Share" on the signature page, then the Flow Market Share Achievement Percentage shall be 50%; and

(D) If the Company's Flow Market Share for such year is between the Threshold Share and the Target Share, or between the Target Share and the Maximum Share, then the Flow Market Share Achievement Percentage shall be correspondingly interpolated on a linear basis between 0% and 33.33%, or between 33.33% and 50%, respectively.

"Flow Market Share" for any year shall mean the Company's market share of the industry's flow NIW for that year, expressed as a percentage, as reported by Inside Mortgage Finance (along with any successor publication thereto, "Inside Mortgage Finance"); provided, however, that if Inside Mortgage Finance has not reported the foregoing by the end of the second business day preceding the Release Date, then "Flow Market Share" shall, for the applicable year, be calculated by the Company using data provided by Mortgage Insurance Companies of America ("MICA") and data publicly reported by any company included in the calculation used by Inside Mortgage Finance as of the date of this Agreement, but not included in the data provided by MICA.

(d) Except as otherwise provided herein, RSUs may not be sold, transferred or otherwise alienated or hypothecated regardless of the occurrence of the Release Date.

(e) If all Time Vested Restricted Stock set forth after "Time Vested Restricted Stock" on the signature page or if all Performance RSUs set forth after "Performance RSUs" on the signature page would have been released but for the provisions of this Agreement that round down shares or RSUs to the nearest whole share, the number of shares or RSUs released on the last Release Date shall be the shares or RSUs awarded minus the shares or RSUs that were previously released such that on such last Release Date the fractional shares and fractional RSUs that were not been released due to rounding shall be released.

(f) If by the end of the second business day preceding any date set forth after "Time Vested Restricted Stock Release Date" on the signature page (or the next two anniversaries thereof in the circumstances contemplated by Paragraph 2(a)(i)(A) hereof) all of the information required by the Company to determine whether the Goal for the prior year was met is not available, or if by the end of the second business day preceding any date set forth after "Performance RSUs Release Date" on the signature page, all of the information required by the Company to determine the "Aggregate Percentage Achievement" is not available, then such date shall be two business days after the date on which the information to make the determination is available.

3. Escrow. Shares of Restricted Stock shall be issued (in certificate or electronic form, at the discretion of the Company) as soon as practicable in the name of the Employee but shall be held in an escrow arrangement by the transfer agent for the Stock, as escrow agent. Unless forfeited as provided herein, Restricted Stock shall cease to be held in escrow and certificates for such Stock shall be delivered to the Employee, or in the case of his death, to his Beneficiary (as hereinafter defined) on the Release Date or upon any other termination of the restrictions imposed by Paragraph 2 hereof.

4. Transfer After Release Date; Securities Law Restrictions; Holding Period. (a) Except as otherwise provided herein (including in Paragraph 4(b) below), Restricted Stock shall become free of the restrictions of Paragraph 2 and be freely transferable by the Employee on the Release Date. Notwithstanding the foregoing or anything to the contrary herein, the Employee agrees and acknowledges with respect to any Restricted Stock and any Stock delivered in settlement of RSUs that has not been registered under the Securities Act of 1933, as amended (the "Act") (i) he will not sell or otherwise dispose of such Stock except pursuant to an effective registration statement under the Act and any applicable state securities

laws, or in a transaction which, in the opinion of counsel for the Company, is exempt from such registration, and (ii) a legend will be placed on the certificates or other evidence for the Restricted Stock (or in the case of RSUs, any such Stock delivered in settlement) to such effect.

(b) If after "Holding Period" on the signature page "Applicable" appears, then the Employee agrees that, during the Holding Period, the Employee will not make a Sale of the Holding Period Shares. "Holding Period" means a period beginning on the Release Date and ending on the earlier of (i) the first anniversary of the Release Date and (ii) the first date on which the Employee is no longer subject to the reporting requirements of Section 16(a) of the Act (as such term is defined in the Annex). "Holding Period Shares" means a number of shares of Stock that are released on such Release Date equal to the lesser of (1) 25% of the aggregate number of shares of Restricted Stock that are released on the Release Date and (2) 50% of the difference between (i) the aggregate number of shares of Restricted Stock that are released on the Release Date and (ii) the aggregate number of shares that are withheld to satisfy withholding tax requirements under Paragraph 10(b) of this Agreement. "Sale" means a transfer for value, except that, (i) the transfer to the Company of Holding Period Shares in payment of the exercise price of an option granted to the Employee by the Company shall not be a Sale if there is no Sale for the remainder of the Holding Period of a number of shares of Stock received upon exercise of such option that are not less than the number of Holding Period Shares so transferred in connection with such exercise, and (ii) an involuntary transfer, including Holding Period Shares converted in a merger, is not a Sale; it is understood that neither a pledge nor a gift, including to an entity in which the Employee has an interest (provided that in the case of such an entity, such entity does not make a Sale for the remainder of the Holding Period), is a transfer for value.

(c) If after "Holding Period" on the signature page "Applicable" appears, then the Employee agrees that, during the Holding Period (for purposes of applying such definition to this Paragraph 4(c), Release Date means each date on which the Option is exercised), the Employee will not make a Sale of the Option Holding Period Shares. "Option Holding Period Shares" means a number of shares of Stock acquired at each exercise of the Option equal to the lesser of (1) 25% of the aggregate number of shares for which the Option is exercised, and (2) 50% of the difference between (i) the aggregate number of shares for which the Option is exercised and (ii) the aggregate number of shares that are withheld from the shares delivered on such exercise to satisfy withholding tax requirements applicable to such exercise, except that the Option Holding Period Shares shall not exceed the number of shares for which the Option is exercised minus the sum of the number of shares that are withheld to satisfy withholding tax requirements under Paragraph 10(b) of this Agreement and the number of shares transferred to the Company in payment of the exercise price of the Option. The Option is the option granted to the Employee by the Company on January 28, 2004.

(d) Except as otherwise provided in the parenthetical in clause (ii) of the definition of Sale, if a transfer that is not a Sale occurs, the Holding Period for the shares involved in such transfer shall terminate at the time of such transfer.

5. Termination of Employment Due to Death. If the Employee's employment with the Company or any of its subsidiaries is terminated because of death prior to the Release Date, (i) the restrictions of Paragraph 2 applicable to the Restricted Stock shall terminate on the date of death and such Restricted Stock shall be free of such restrictions and,

except as otherwise provided in Paragraph 4 hereof, freely transferable, and (ii) a Release Date shall be deemed to have occurred for all RSUs.

6. Forfeiture of Restricted Stock. (a) If the Employee's employment with the Company and all of its subsidiaries is terminated prior to the Release Date for any reason (including without limitation, disability or termination by the Company and all subsidiaries thereof, with or without cause) other than death, all Restricted Stock and all RSUs shall be forfeited to the Company on the date of such termination unless otherwise provided in subparagraph (b) below, or unless the Management Development, Nominating and Governance Committee of the Company's Board of Directors (the "Management Development Committee") or other Committee of such Board administering the Plan (the Management Development Committee or such other Committee is herein referred to as the "Committee") determines, on such terms and conditions, if any, as the Committee may impose, that all or a portion of the Restricted Stock and/or Stock deliverable on settlement of RSUs shall be released to the Employee and the restrictions of Paragraph 2 applicable thereto shall terminate. Absence of the Employee on leave approved by a duly elected officer of the Company, other than the Employee, shall not be considered a termination of employment during the period of such leave.

The Release Date for the Time Vested Restricted Stock (and any Time Vested RSUs) and the Performance RSUs may occur on multiple dates, each of which is a Release Date for the number of shares or RSUs determined as provided in Paragraphs 2(a), (b) and (c). Hence, any forfeiture of Time Vested Restricted Stock, Time Vested Restricted RSUs or Performance RSUs applies only to the shares or RSUs for which a Release Date had not yet occurred on the date of forfeiture. The preceding sentence has been included in this Agreement for the purpose of avoiding any doubt that the result described in the preceding sentence would occur; therefore, such result will occur under prior agreements awarding Performance Restricted Stock to the Employee even though a comparable provision is not included in such agreements.

(b) If the Employee's employment with the Company and all of its subsidiaries terminates by reason of retirement after reaching age 62 and after having been employed by the Company or any subsidiary thereof for an aggregate period of at least seven years, such retirement shall not result in forfeiture of any Time Vested RSUs or Performance RSUs (this provision does not apply to the Base or Matching Restricted Stock nor does it apply to Time Vested Restricted Stock not awarded as RSUs) if (1) the Employee's employment with the Company or one of its subsidiaries continues for no less than one year after the date of this Agreement, and (2) no later than the date on which employment terminates, the Employee enters into an agreement with the Company (which agreement shall be drafted by and acceptable to the Company) under which the Employee agrees not to compete with the Company and its subsidiaries during a period ending one year after the latest of the dates set forth after (i) "Time Vested Restricted Stock Release Date" on the signature page, and (ii) "Performance RSUs Release Date" on the signature page, and the Employee complies with such agreement. If the Employee enters into such a non-competition agreement and thereafter breaches the terms thereof, the RSUs shall be forfeited and the Employee shall return to the Company any Stock awarded under this Agreement that was delivered to the Employee after the date on which such non-competition agreement was entered into. If the conditions in the second preceding sentence are satisfied and the Employee complies with the terms of such agreement, upon the Employee's

death, the provisions of Paragraph 5 shall apply as if the Employee's employment with the Company and its subsidiaries terminated because of such death.

(c) Any (i) Performance RSUs for which a Release Date has not occurred by the latest date set forth after "Performance RSUs Release Date" on the signature page (as such date may be extended under Paragraph 2(f)hereof) and (ii) Time Vested Restricted Stock for which a Release Date does not occur because the condition set forth after "Goal" on the signature page is not satisfied by the second anniversary of the latest date set forth after "Time Vested Restricted Stock Release Date" on the signature page (as such date may be extended under Paragraph 2(f) hereof), shall be forfeited to the Company, unless in the case of (i) and (ii) the Committee determines otherwise as contemplated in subparagraph (a) above.

(d) If Restricted Stock is forfeited, the Employee hereby appoints the Company, acting through any Vice President or more senior officer, as the Employee's attorney-in-fact to transfer such forfeited Restricted Stock to the Company.

7. Beneficiary. (a) The person whose name appears on the signature page hereof after the caption "Beneficiary" or any successor designated by the Employee in accordance herewith (the person who is the Employee's Beneficiary at the time of his death herein referred to as the "Beneficiary") shall be entitled to receive the Restricted Stock to be released to the Beneficiary under Paragraphs 3 and 5 as a result of the death of the Employee and the Stock to be delivered in settlement of RSUs. The Employee may from time to time revoke or change his Beneficiary without the consent of any prior Beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Employee's death, and in no event shall any designation be effective as of a date prior to such receipt.

(b) If no such Beneficiary designation is in effect at the time of an Employee's death, or if no designated Beneficiary survives the Employee or if such designation conflicts with law, upon the death of the Employee, the Employee's estate shall be entitled to receive the Restricted Stock and the Stock to be delivered in settlement of RSUs. If the Committee is in doubt as to the right of any person to receive such Restricted Stock or Stock to be delivered in settlement of RSUs, the Company may retain the same and any distributions thereon, without liability for any interest thereon, until the Committee determines the person entitled thereto, or the Company may deliver such all of such property and any distributions thereon to any court of appropriate jurisdiction and such delivery shall be a complete discharge of the liability of the Company therefor.

8. Stock Legends. (a) In addition to any legends placed on certificates for Restricted Stock, each certificate or other evidence for shares of Restricted Stock shall bear the following legend:

"The sale or other transfer of these shares of stock, whether voluntary, or by operation of law, is subject to certain restrictions set forth in the MGIC Investment Corporation 2002 Stock Incentive Plan and a Restricted Stock Agreement between MGIC Investment Corporation and the registered owner

hereof. A copy of such Plan and such Agreement may be obtained from the Secretary of MGIC Investment Corporation."

When the restrictions imposed by Paragraph 2 hereof terminate, the Employee shall be entitled to have the foregoing legend removed from such Stock.

(b) If after "Holding Period" on the signature page "Applicable" appears, at the option of the Company, an appropriate legend may be placed on certificates for Stock noting the requirements to hold such Stock imposed by Paragraphs 4(b) and (c) of this Agreement. When such requirements terminate, the Employee shall be entitled to have the foregoing legend removed from such certificates.

9. Voting Rights; Dividends and Other Distributions; Rights of RSUs. (a) While the Restricted Stock is subject to restrictions under Paragraph 2 and prior to any forfeiture thereof, the Employee may exercise full voting rights for the Restricted Stock.

(b) While the Restricted Stock is subject to the restrictions under Paragraph 2 and prior to any forfeiture thereof, the Employee shall be entitled to receive all dividends and other distributions paid with respect to the Restricted Stock. If any such dividends or distributions are paid in Stock, such shares shall be subject to the same restrictions as the shares of Restricted Stock with respect to which they were paid, including the requirement that Restricted Stock be held in escrow pursuant to Paragraph 3 hereof.

(c) Subject to the provisions of this Agreement, the Employee shall have, with respect to the Restricted Stock, all other rights of holders of Stock.

(d) RSUs represent only the right to receive as Stock, on the terms provided herein (i) the number of shares indicated after "Time Vested Restricted Stock" on the signature page and (ii) a number of shares equal to the number indicated after "Performance RSUs" on the signature page. Except to the extent forfeited as provided herein, on the RSU Settlement Date set forth on the signature page or determined as provided thereon, RSUs shall be settled by the issuance (or transfer from treasury) of shares of Stock and certificates for such Stock shall be delivered to the Employee, or in the case of his death, to his Beneficiary. The Employee with respect to RSUs shall have no rights as a holder of Stock, including the right to vote or to receive dividends, until certificates for such Stock are actually delivered in settlement of the RSUs. Notwithstanding the preceding sentence, (i) on the next Payroll Date (as defined below) after each date on which the Company pays a dividend in cash on the Stock, the Company shall make a payment in cash on the Time Vested RSUs that are outstanding on the record date for such dividend equal to the dividend that would have been paid on the number of shares indicated after "Shares of Time Vested Restricted Stock" on the signature page had such shares been outstanding, and (ii) to the extent Performance RSUs are released on a Release Date, the Company shall make a payment in cash equal to the aggregate amount that would have been paid as dividends on the shares of Stock issued or transferred in settlement if such shares had been outstanding on each dividend record date on and after the date of this Agreement and prior to the date on which such Shares are issued (or transferred from treasury). "Payroll Date" means a date on which the Company or a subsidiary makes a bi-weekly payment of wages to the Employee.

10. Tax Withholding. (a) It shall be a condition of the obligation of the Company to release from escrow Restricted Stock to the Employee or the Beneficiary or to deliver Stock in settlement of RSUs, and the Employee agrees, that the Employee shall pay to the Company upon its demand, such amount as may be requested by the Company for the purpose of satisfying its liability to withhold federal, state, or local income or other taxes incurred by reason of the award of the Restricted Stock or RSUs, as a result of the termination of the restrictions on Restricted Stock hereunder or the delivery of Stock in settlement of RSUs.

(b) If the Employee does not make an election under Section 83(b) of the Internal Revenue Code of 1986, as amended, with respect to the Restricted Stock awarded hereunder, and does not satisfy the withholding obligations prior to the Tax Date (as defined below) by paying sufficient cash to the Company or transferring ownership of a sufficient number of other shares of Stock to the Company as provided in Paragraph 10(c), then the withholding tax requirements arising from the termination of restrictions on the Restricted Stock or the settlement of RSUs in Stock shall be satisfied through a withholding by the Company of shares of Stock that would otherwise be delivered to the Employee. In such event, the Company shall withhold that number of shares of Restricted Stock otherwise deliverable to the Employee from escrow hereunder or that number of shares of Stock that would otherwise be delivered in settlement of RSUs, in each case, having a Fair Market Value (as such term is defined in the Plan) on the day prior to the Tax Date equal to the amount required to be withheld as a result of the termination of the restrictions on such Restricted Stock or as a result of the settlement of RSUs in Stock. As used herein, “Tax Date” means the date on which the Employee must include in his gross income for federal income tax purposes the fair market value of the Restricted Stock, or Stock delivered in settlement of the RSUs, over the purchase price therefor.

(c) If the Employee desires to use cash or other shares of Stock to satisfy the withholding obligations set forth above, the Employee must: (i) make an election to do so in writing on a form provided by the Company, (ii) deliver such election form to the Company by the deadline specified by the Company, and (iii) deliver to the company the required cash or other shares of Stock having a Fair Market Value on the Tax Date (as defined above) equal to the amount required to be withheld.

11. Adjustments in Event of Change in Stock or Fiscal Year. In the event of any change in the outstanding shares of Stock (“capital adjustment”) for any reason, including but not limited to, any stock splits, stock dividend, recapitalization, merger, consolidation, reorganization, combination or exchange of shares or other similar event which, in the judgment of the Committee, could distort the implementation of the award of Restricted Stock or the award of RSUs or the realization of the objectives of such award, the Committee shall make such adjustments in the shares of Restricted Stock subject to this Agreement or in the shares deliverable on settlement of RSUs, or in the terms, conditions or restrictions of this Agreement as the Committee deems equitable, except that in the event of any stock split, reverse stock split, stock dividend, combination or reclassification of the Stock that occurs after the date of this Agreement (collectively, “future capital adjustment”), the number of RSUs shall be proportionally adjusted for any increase or decrease in the number of outstanding shares resulting from such future capital adjustment, any such adjustment rounded down to the next lower whole share. In addition, if the Company changes its fiscal year from a year ending December 31, the Committee may make such adjustments in the Time Vested Restricted Stock

Release Date and the Performance RSUs Release Date as set forth on the signature page as the Committee deems equitable.

12. Change in Control. If a "Change in Control of the Company" (as defined in the Annex attached hereto) occurs, notwithstanding anything herein, the restrictions of Paragraph 2 applicable to the Restricted Stock shall terminate on the date of the Change in Control of the Company and a Release Date shall be deemed to have occurred for all RSUs. The Employee agrees that such Annex may be amended by the Company on one or more occasions without the consent or approval of the Employee if in the determination of the Committee such amendment is necessary or appropriate to conform the provisions of such Annex to Treasury Regulation 1.409A-1 et seq. or any position published by the IRS with respect to Section 409A of the Internal Revenue Code of 1986. The right of the Company to make such an amendment does not depend on whether the Restricted Stock or RSUs are subject to such Section but will enable the Company to have uniform provisions governing a change of control among all agreements having such change of control provisions, including those under which compensation is subject to such Section. Any such amendment will become effective upon notice to the Employee. The Company will seek to give the Employee notice of an amendment with reasonable promptness after the Committee has approved the amendment.

13. Powers of Company Not Affected; No Right to Continued Employment.

(a) The existence of the Restricted Stock or RSUs shall not affect in any way the right or power of the Company or its stockholders to make or authorize any combination, subdivision or reclassification of the Stock or any reorganization, merger, consolidation, business combination, exchange of shares, or other change in the Company's capital structure or its business, or any issue of bonds, debentures or stock having rights or preferences equal, superior or affecting the Restricted Stock or any Stock to be issued in settlement of RSUs or, in both cases, the rights thereof, or dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise. The determination of the Committee as to any such adjustment shall be conclusive and binding for all purposes of this Agreement.

(b) Nothing herein contained shall confer upon the Employee any right to continue in the employment of the Company or any subsidiary or interfere with or limit in any way the right of the Company or any subsidiary to terminate the Employee's employment at any time, subject, however, to the provisions of any agreement of employment between the Company or any subsidiary and the Employee. The Employee acknowledges that a termination of his or her employment could occur at a time before which the restrictions referred to in Paragraph 2 above have lapsed, resulting in the forfeiture of the Restricted Stock and RSUs by the Employee, unless otherwise provided herein. In such event, the Employee will not be able to realize the value of the Restricted Stock or of the Stock that underlies the RSUs nor will the Employee be entitled to any compensation on account of such value.

14. Interpretation by Committee. The Employee agrees that any dispute or disagreement which may arise in connection with this Agreement shall be resolved by the Committee, in its sole discretion, and that any interpretation by the Committee of the terms of this Agreement or the Plan and any determination made by the Committee under this Agreement

or the Plan may be made in the sole discretion of the Committee and shall be final, binding, and conclusive. Any such determination need not be uniform and may be made differently among Employees awarded Restricted Stock and RSUs.

15. Clawback. If and to the extent the Committee deems it appropriate for such payment to be made, each Covered Employee shall pay the Company an amount equal to the Excess Compensation. "Covered Employee" means an Employee who was a Section 16 Filer at an Affected Performance RSUs Release Date regardless of whether such Employee ceased to be a Section Filer thereafter. "Section 16 Filer" is a person who is required to file reports under Section 16(a) of the Act as such requirement to so file is in effect at each Affected Performance RSUs Release Date. "Affected Performance RSUs Release Date" means each Performance RSUs Release Date on which, had a financial restatement that was made after such Performance RSUs Release Date been in effect at such Performance RSUs Release Date, the number of shares of Stock settled on account of Performance RSUs would have been lower. "Excess Compensation" means (i) the difference between the Income that was recognized by the Covered Employee on an Affected Performance RSUs Release Date and the Income that would have been recognized had the financial restatement referred to in the definition of Affected Performance RSUs Release Date then been in effect, except that such difference will be deemed to be zero for each Affected Performance RSUs Release Date prior to the date on which Covered Employee was a Section 16 Filer, plus (ii) the value of any deduction to which the Covered Employee is entitled on account of the payment to the Company required by this Paragraph 15. "Income" means income determined for federal income tax purposes minus the amount of federal, state and local income taxes and, to the extent applicable, the employee portion of Social Security and Medicaid payroll taxes, payable on account of such income. The amount of federal, state and local income taxes and the value of any deduction contemplated by clause (ii) of the second preceding sentence shall be computed by assuming that Income is taxed at the highest marginal rate, with such rate for any state and local income taxes appropriately adjusted to reflect the benefit of an itemized federal deduction for such taxes (if in the case of local taxes, such taxes are eligible for such a deduction), which adjustment shall be made by assuming that no reduction in such deduction on account of the Covered Employee's adjusted gross income applies.

16. Miscellaneous. (a) This Agreement shall be governed and construed in accordance with the laws of the State of Wisconsin applicable to contracts made and to be performed therein between residents thereof.

(b) The waiver by the Company of any provision of this Agreement shall not operate or be construed to be a subsequent waiver of the same provision or waiver of any other provision hereof.

(c) The Restricted Stock and RSUs shall be deemed to have been awarded pursuant to the Plan and is subject to the terms and conditions thereof. In the event of any conflict between the terms hereof and the provisions of the Plan, the terms and conditions of the Plan shall prevail. Any and all terms used herein, unless specifically defined herein shall have the meaning ascribed to them in the Plan. A copy of the Plan is available on request of the Employee made in writing or by e-mail to the Company's Secretary.

(d) Any notice, filing or delivery hereunder or with respect to Restricted Stock or RSUs shall be given to the Employee at either his usual work location or his home address as indicated in the records of the Company, and shall be given to the Committee or the Company at 250 East Kilbourn Avenue, Milwaukee 53202, Attention: Secretary. All such notices shall be given by first class mail, postage pre-paid, or by personal delivery.

(e) This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns and shall be binding upon and inure to the benefit of the Employee, the Beneficiary and the personal representative(s) and heirs of the Employee, except that the Employee may not transfer any interest in any Restricted Stock prior to the release of the restrictions imposed by Paragraph 2 nor may the Employee transfer any interest in any RSUs.

(f) As a condition to the grant of the Restricted Stock and RSUs, the Employee must execute an agreement not to compete in the form provided to the Employee by the Company.

The end of Paragraph 16 is the end of the Incorporated Terms. The remainder of the Agreement is contained in the Base Instrument.

ANNEX

Definition of "Change in Control of the Company" and Related Terms

1 Change in Control of the Company. A "Change in Control of the Company" shall be deemed to have occurred if an event set forth in any one of the following paragraphs shall have occurred:

(i) any Person (other than (A) the Company or any of its subsidiaries, (B) a trustee or other fiduciary holding securities under any employee benefit plan of the Company or any of its subsidiaries, (C) an underwriter temporarily holding securities pursuant to an offering of such securities or (D) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock in the Company ("Excluded Persons")) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates after July 22, 1999, pursuant to express authorization by the Board of Directors of the Company (the "Board") that refers to this exception) representing more than 50% of the total fair market value of the stock of the Company or representing 50% or more of the total voting power of the stock of the Company; or

(ii) during any 12 consecutive month period, the following individuals cease for any reason to constitute a majority of the number of directors of the Company then serving: (A) individuals who, on July 22, 1999, constituted the Board and (B) any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Act) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least a majority of the directors then still in office who either were directors on July 22, 1999, or whose initial appointment, election or nomination for election as a director which occurred after July 22, 1999 was approved by such vote of the directors then still in office at the time of such initial appointment, election or nomination who were themselves either directors on July 22, 1999 or initially appointed, elected or nominated by such majority vote as described above ad infinitum (collectively the "Continuing Directors"); provided, however, that individuals who are appointed to the Board pursuant to or in accordance with the terms of an agreement relating to a merger, consolidation, or share exchange involving the Company (or any direct or indirect subsidiary of the Company) shall not be Continuing Directors for purposes of this Agreement until after such individuals are first nominated for election by a vote of at least a majority of the then Continuing Directors and are thereafter elected as directors by the shareholders of the Company at a meeting of

shareholders held following consummation of such merger, consolidation, or share exchange; and, provided further, that in the event the failure of any such persons appointed to the Board to be Continuing Directors results in a Change in Control of the Company, the subsequent qualification of such persons as Continuing Directors shall not alter the fact that a Change in Control of the Company occurred; or

(iii) a merger, consolidation or share exchange of the Company with any other corporation is consummated or voting securities of the Company are issued in connection with a merger, consolidation or share exchange of the Company (or any direct or indirect subsidiary of the Company) pursuant to applicable stock exchange requirements, other than (A) a merger, consolidation or share exchange which would result in the voting securities of the Company entitled to vote generally in the election of directors outstanding immediately prior to such merger, consolidation or share exchange continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof entitled to vote generally in the election of directors of such entity or parent outstanding immediately after such merger, consolidation or share exchange, or (B) a merger, consolidation or share exchange effected to implement a recapitalization of the Company (or similar transaction) in which no Person (other than an Excluded Person) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates after July 22, 1999, pursuant to express authorization by the Board that refers to this exception) representing at least 50% of the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors; or

(iv) the sale or disposition by the Company of all or substantially all of the Company's assets to a Person (in one transaction or a series of related transactions within any period of 12 consecutive months), other than a sale or disposition by the Company of all or substantially all of the Company's assets to (a) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock; (b) an entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company; (c) a Person that owns, directly or indirectly, 50% or more of the total value or voting power of all of the outstanding stock of the Company; or (d) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a Person that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding voting stock of the Company. It is understood that in no event shall a sale or disposition of assets be considered to be a sale of substantially all of the assets unless the assets sold or disposed of have a total gross fair market value of at least 40% of the total gross fair market value of all of the Company's assets immediately prior to such sale or disposition.

2 Related Definitions. For purposes of this Annex, the following terms, when capitalized, shall have the following meanings:

(i) Act. The term "Act" means the Securities Exchange Act of 1934, as amended.

(ii) Affiliate and Associate. The terms "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule l2b-2 of the General Rules and Regulations under the Act.

(iii) Beneficial Owner. A Person shall be deemed to be the "Beneficial Owner" of any securities:

(a) which such Person or any of such Person's Affiliates or Associates has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; *provided, however,* that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, (A) securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase, or (B) securities issuable upon exercise of Rights issued pursuant to the terms of the Company's Rights Agreement, dated as of July 22, 1999, between the Company and Wells Fargo Bank Minnesota, National Association (as successor Rights Agent), as amended from time to time (or any successor to such Rights Agreement), at any time before the issuance of such securities;

(b) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule l3d-3 of the General Rules and Regulations under the Act), including pursuant to any agreement, arrangement or understanding; *provided, however,* that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security under this Subsection 1 (c) as a result of an agreement, arrangement or understanding to vote such security if the agreement, arrangement or understanding: (A) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations under the Act and (B) is not also then reportable on a Schedule l3D under the Act (or any comparable or successor report); or

(c) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person's Affiliates or

Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in Subsection 1(c) (ii) above) or disposing of any voting securities of the Company.

(iv) Person. The term “Person” shall mean any individual, firm, partnership, corporation or other entity, including any successor (by merger or otherwise) of such entity, or a group of any of the foregoing acting in concert.

(v) Stock. The term “stock” shall have the meaning contemplated by Treasury Regulation 1.409A-1 et seq.

Exhibit 10.2.10

[Name]

RESTRICTED STOCK AND RESTRICTED STOCK UNIT AGREEMENT

THIS RESTRICTED STOCK AND RESTRICTED STOCK UNIT AGREEMENT is made and entered into as of the date indicated on the signature page under "Date of Agreement" by and between MGIC Investment Corporation, a Wisconsin corporation (the "Company"), and the director of MGIC Investment Corporation whose signature is set forth on the signature page hereto (the "Director").

INTRODUCTION

The Company is awarding Restricted Stock Units ("RSUs"), and to the extent indicated in this instrument, shares of the Company's Common Stock, $1.00 par value per share (the "Stock"), to the Director under the MGIC Investment 2002 Stock Incentive Plan (the "Plan") and this Agreement.

This Agreement consists of this instrument and the Incorporated Terms Dated As of April 1, 2008 to Restricted Stock and Restricted Stock Unit Agreement (the "Incorporated Terms"), which although not attached to this instrument, are part of this Agreement and were sent to the Director as indicated in Paragraph 1(b) below.

The parties mutually agree as follows:

1. Award of Restricted Stock or RSUs; Incorporated Terms.

(a) Subject to the terms and conditions set forth herein, the Company awards the Director the (i) number of shares of Stock set forth after "Shares of Restricted Stock" on the signature page (the "Restricted Stock"), except that if after "Restricted Stock Units" on the signature page "Yes" appears, then all shares of Stock indicated after "Shares of Restricted Stock" shall be awarded in the form of RSUs and such RSUs shall be the "Deposit Share RSUs," and (ii) the number of RSUs set forth after "Annual RSU Award" on the signature page, which shall be the "Annual RSUs." The term "RSUs" as used in the remainder of this Agreement shall be applied separately to the Deposit Share RSUs and the Annual RSUs as if the term "RSUs" were the term "Deposit Share RSUs" or "Annual RSUs," as the case may be.

(b) The Incorporated Terms are incorporated in this instrument with the same effect as if they were physically set forth in this instrument. The Incorporated Terms and this instrument constitute a single agreement which is referred to as "this Agreement." The terms "herein," "hereof," "above" and similar terms used in this Agreement refer to this Agreement as a whole. The Incorporated Terms were sent to the Director along with this instrument and a copy of the Incorporated Terms has been retained by the Company's Secretary. The Director agrees if there is any difference between the text of the Incorporated Terms sent as indicated above and the text of the Incorporated Terms retained by the Company's Secretary, the text of the copy retained by the Secretary will control.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer, and the Director has hereunto affixed his or her hand and seal, all as of the day and year set forth below.

Date of Agreement: April 1, 2008

MGIC INVESTMENT CORPORATION

By: _____ _____

[Name] [Name]
[Title]

Shares of Restricted Stock: _____

Restricted Stock Release Date: May 1, 2009

Restricted Stock Units: _____

Annual RSU Award: _____

Annual RSU Release Date: February 10, 2009

* * *

Beneficiary: _____

Address of Beneficiary:

_____

_____

Beneficiary's Tax Identification
Number: _____

INCORPORATED TERMS
DATED AS OF APRIL 1, 2008
TO
RESTRICTED STOCK AND RESTRICTED STOCK UNIT AGREEMENT

The following are the "Incorporated Terms" referred to in the instrument entitled "Restricted Stock and Restricted Stock Unit Agreement" which refers to these Incorporated Terms and which has been signed by the Company and the Director (the "Base Instrument"). The Incorporated Terms and the Base Instrument constitute a single agreement and that agreement consists of the Base Instrument and the Incorporated Terms. The Incorporated Terms dovetail with the Base Instrument; because the last paragraph of the Base Instrument is Paragraph 1, the Incorporated Terms begin with Paragraph 2.

2. Restrictions. (a) Except as otherwise provided herein, the Restricted Stock may not be sold, transferred or otherwise alienated or hypothecated until the Restricted Stock Release Date set forth on the signature page (such date as used herein with respect to the Restricted Stock is referred to as the "Release Date.") Shares of Restricted Stock may be transferred by gift pursuant to the "Rules for Transfer of Awards Under Deposit Share Program for Directors," which were attached to a March 4, 2008 e-mail to the Director from Ralph Gundrum. Any person to whom shares of Restricted Stock are transferred pursuant to the Rules is herein referred to as a "Permitted Transferee."

(b) The Release Date for Deposit Share RSUs shall be the same as the Release Date for the Restricted Stock, and the Release Date for Annual RSUs shall be the date set forth after "Annual RSU Release Date" on the signature page. The term "Release Date" as used in the remainder of this Agreement shall be applied separately to the Deposit Share RSUs and the Annual RSUs as if the term "RSUs" were the term "Deposit Share RSUs" or "Annual RSUs," as the case may be. Except as otherwise provided herein, RSUs may not be sold, transferred or otherwise alienated or hypothecated regardless of the occurrence of the Release Date.

3. Escrow. (a) Certificates for shares of Restricted Stock shall be issued as soon as practicable in the name of the Director but shall be held in escrow by the Company, as escrow agent. Upon issuance of such certificates, (i) if certificates are issued in non-electronic registration, the Company shall give the Director a receipt for the Restricted Stock held in escrow which will state that the Company holds such Stock in escrow for the account of the Director, subject to the terms of this Agreement, and (ii) the Director shall give the Company a stock power for such Stock duly endorsed in blank which will be held in escrow for use in the event such Stock is forfeited in whole or in part. Unless forfeited as provided herein, Restricted Stock shall cease to be held in escrow and certificates for such Stock which have not been transferred to a Permitted Transferee shall be delivered to the Director, or in the case of his death, to his Beneficiary (as hereinafter defined) on the Release Date or upon any other termination of the restrictions imposed by Paragraph 2 hereof.

(b) Certificates for shares of Stock, if any, that were purchased to obtain an award of Restricted Stock ("Purchased Shares") shall also be held in escrow by the Company, as escrow agent. Upon issuance of such certificates, if certificates are issued in non-electronic

registration, the Company shall give the Director a receipt for the Purchased Stock held in escrow which will state that the Company holds such Stock in escrow for the account of the Director.

4. Transfer After Release Date; Securities Law Restrictions. Except as otherwise provided herein, Restricted Stock shall become free of the restrictions of Paragraph 2 and be freely transferable by the Director on the Release Date (such freeing of such restrictions is herein referred to as "vesting"). Notwithstanding the foregoing or anything to the contrary herein, the Director agrees and acknowledges with respect to any Restricted Stock and any Stock delivered in settlement of RSUs that has not been registered under the Securities Act of 1933, as amended (the "Act"), that (i) the Director will not sell or otherwise dispose of such Stock except pursuant to an effective registration statement under the Act and any applicable state securities laws, or in a transaction which, in the opinion of counsel for the Company, is exempt from such registration, and (ii) a legend will be placed on the certificates for the Restricted Stock to such effect.

5. Termination of Directorship Due to Death or a Permissible Event. If the Director ceases to be a director of the Company by reason of the Director's death or a "Permissible Event" prior to the Release Date, (i) the restrictions of Paragraph 2 applicable to the Restricted Stock shall terminate, (ii) a Release Date shall be deemed to have occurred for all RSUs and (iii) the vesting requirements for the Restricted Stock and RSUs shall be deemed to be fulfilled on the date of the Director's death or the Permissible Event. A Permissible Event is termination of service as a director of the Company by reason of (i) the Director being ineligible for continued service as a director of the Company because of the Director's age under the Company's Corporate Governance Guidelines, or (ii) the Director's taking a position with or providing services to a governmental, charitable or educational institution whose policies prohibit the Director's continued service on the Company's Board or under circumstances in which such continued service would be a violation of law.

6. Termination of Directorship for Other Reasons. If, prior to the Release Date, the Director ceases to be a director of the Company for any reason other than the Director's death or a Permissible Event, the Restricted Stock and RSUs awarded hereunder shall be forfeited by the Director and shall revert to the Company, unless otherwise provided by the Committee. In addition, Restricted Stock may be forfeited as provided in Paragraph 14(g).

7. Beneficiary. (a) The person whose name appears on the signature page hereof after the caption "Beneficiary" or any successor designated by the Director in accordance herewith (the person who is the Director's Beneficiary at the time of his death herein referred to as the "Beneficiary") shall be entitled to receive the Restricted Stock to be released to the Beneficiary under Paragraphs 3 and 5 as a result of the death of the Director and the Stock to be delivered in settlement of RSUs. The Director may from time to time revoke or change the Beneficiary without the consent of any prior Beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Director's death, and in no event shall any designation be effective as of a date prior to such receipt. If no such Beneficiary designation is in effect at the time of the Director's death, or if no designated Beneficiary survives the Director or if such designation

conflicts with law, the Director's estate shall be entitled to receive the Restricted Stock upon the death of the Director and the Stock to be delivered in settlement of RSUs.

(b) A Permitted Transferee shall be entitled to designate a Beneficiary with respect to the shares of Restricted Stock transferred to the Permitted Transferee by completing the appropriate portion of the election form contemplated by Paragraph 5 of the Rules (the "Election Form"). Such Beneficiary shall be entitled to receive the vested Restricted Stock to be released under Paragraphs 3 and 5 as a result of the death of the Director or otherwise to be released hereunder if, in either case, the Permitted Transferee dies, prior to such release. The Permitted Transferee may from time to time revoke or change such Beneficiary without the consent of any prior Beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling, provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Director's death, and in no event shall any designation be effective as of a date prior to such receipt. If no such designated Beneficiary survives the Permitted Transferee, such Beneficiary's estate, of if such designation conflicts with law, the Permitted Transferee's estate, shall be entitled to receive the Restricted Stock released hereunder.

(c) If the Committee is in doubt as to the right of any person to receive Restricted Stock or Stock delivered in settlement of RSUs, the Company may retain such Stock, without liability for any interest thereon, until the Committee determines the person entitled thereto, or the Company may deliver such Restricted Stock or Stock to be delivered in settlement of RSUs to any court of appropriate jurisdiction and such delivery shall be a complete discharge of the liability of the Company therefor.

8. Certificate Legend. In addition to any legends placed on certificates for Restricted Stock under Paragraph 4 hereof, each certificate for shares of Restricted Stock shall bear the following legend:

> "The sale or other transfer of the shares of stock represented by this certificate, whether voluntary, or by operation of law, is subject to certain restrictions set forth in the MGIC Investment Company 2002 Stock Incentive Plan, as amended, and a Restricted Stock Agreement between MGIC Investment Company and the registered owner hereof. A copy of such Plan and such Agreement may be obtained from the Secretary of MGIC Investment Company."

When the restrictions imposed by Paragraph 2 hereof terminate, the foregoing legend shall be removed from the certificates representing such Stock upon request of the Director or a Permitted Transferee for whom the shares have been transferred.

9. Voting Rights; Dividends and Other Distributions; Rights of RSUs.

(a) While the Restricted Stock is subject to restrictions under Paragraph 2 and prior to any forfeiture thereof, the Director may exercise full voting rights for the Restricted Stock registered in his or her name and held in escrow hereunder.

(b) While the Restricted Stock is subject to the restrictions under Paragraph 2 and prior to any forfeiture thereof, the Director shall be entitled to receive all dividends and other distributions paid with respect to the Restricted Stock. If any such dividends or distributions are paid in Stock, such shares shall be subject to the same restrictions as the shares of Restricted Stock with respect to which they were paid, including the requirement that Restricted Stock be held in escrow pursuant to Paragraph 3 hereof.

(c) Subject to the provisions of this Agreement, the Director shall have, with respect to the Restricted Stock, all other rights of holders of Stock.

(d) RSUs represent only the right to receive as Stock, on the terms provided herein, (i) in the case of Deposit Share RSUs, equal to the number of shares indicated after "Shares of Restricted Stock" on the signature page, and (ii) in the case of the Annual RSUs, equal to one share of Stock for each such RSU. RSUs that have vested shall be settled by the delivery of one share of Stock for each RSU as promptly as practicable after the Director ceases to be a Director of the Company. The Director shall have no rights as a holder of Stock on account of RSUs, including the right to vote or to receive dividends, until certificates for such Stock are actually delivered in settlement of the RSU. Notwithstanding the preceding sentence, on each date on which the Company pays a dividend in cash on the Stock, the Company shall make a payment in cash on the RSUs that are outstanding on the record date for such dividend equal to, in the case of Deposit Share RSUs, the dividend that would have been paid on the number of shares indicated after "Shares of Restricted Stock" on the signature page had such shares then been outstanding, and on the Annual RSUs, equal to the number of shares that are to be issued in settlement of the Annual RSUs had such shares then been outstanding.

10. Adjustments in Event of Change in Stock. In the event of any change in the outstanding shares of Stock ("capital adjustment") for any reason, including but not limited to, any stock splits, stock dividend, recapitalization, merger, consolidation, reorganization, combination or exchange of shares or other similar event which, in the judgment of the Committee, could distort the implementation of the award of Restricted Stock or the award of RSUs, the Committee may make such adjustments in the shares of Restricted Stock subject to this Agreement or in the property deliverable in settlement of RSUs, or in the terms, conditions or restrictions of this Agreement as the Committee deems equitable, except that in the event of any stock split, reverse stock split, stock dividend, combination or reclassification of the Stock that occurs after the date of this Agreement, the number of RSUs shall be adjusted in accordance with the resolutions adopted by the Management Development Committee on January 24, 2007.

11. Change in Control. If a "Change in Control of the Company" (as defined in the Annex attached hereto) occurs, notwithstanding anything herein, the restrictions of Paragraph 2 applicable to the Restricted Stock not previously forfeited shall terminate on the date of the Change in Control of the Company and a Release Date shall be deemed to have occurred for all RSUs. The Director agrees that such Annex may be amended by the Company on one or more occasions without the consent or approval of the Director if in the determination of the Committee such amendment is necessary or appropriate to conform the provisions of such Annex to Treasury Regulation 1.409A-et seq. or any position published by the IRS with respect to Section 409A of the Internal Revenue Code of 1986. The right of the Company to make such

an amendment does not depend on whether the Restricted Stock or RSUs are subject to such Section but will enable the Company to have uniform provisions governing a change in control among all agreements having such change of control provisions, including those under which compensation is subject to such Section. Any such amendment will become effective upon notice to the Director. The Company will seek to give the Director notice of an amendment with reasonable promptness after the Committee has approved the amendment.

12. Powers of Company Not Affected. The existence of the Restricted Stock or RSUs shall not affect in any way the right or power of the Company or its stockholders to make or authorize any combination, subdivision or reclassification of the Stock or any reorganization, merger, consolidation, business combination, exchange of shares, or other change in the Company's capital structure or its business, or any issue of bonds, debentures or stock having rights or preferences equal, superior or affecting the Restricted Stock or any Stock to be issued in settlement of RSUs or, in both cases, the rights thereof, or dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise. The determination of the Committee as to any such adjustment shall be conclusive and binding for all purposes of this Agreement. Nothing herein shall confer upon the Director the right to continue as a member of the Company's Board of Directors.

13. Interpretation by Committee. The Director agrees that any dispute or disagreement which may arise in connection with this Agreement shall be resolved by the Committee, in its sole discretion, and that any interpretation by the Committee of the terms of this Agreement or the Plan and any determination made by the Committee under this Agreement or the Plan may be made in the sole discretion of the Committee and shall be final, binding, and conclusive. Any such determination need not be uniform and may be made differently among directors awarded Restricted Stock and RSUs.

14. Miscellaneous.

(a) This Agreement shall be governed and construed in accordance with the laws of the State of Wisconsin applicable to contracts made and to be performed therein between residents thereof.

(b) The waiver by the Company of any provision of this Agreement shall not operate or be construed to be a subsequent waiver of the same provision or waiver of any other provision hereof.

(c) The Restricted Stock and RSUs shall be deemed to have been awarded pursuant to the Plan and are subject to the terms and conditions thereof. In the event of any conflict between the terms hereof and the provisions of the Plan, the terms and conditions of the Plan shall prevail. Any and all terms used herein, unless specifically defined herein shall have the meaning ascribed to them in the Plan.

(d) Any notice, filing or delivery hereunder or with respect to Restricted Stock or RSUs shall be given to the Director at either his or her address as indicated in the records of the

Company to which communications are generally sent to him or her; shall be given to a Permitted Transferee at his address as indicated in the Election Form; and shall be given to the Committee or the Company at 250 East Kilbourn Avenue, Milwaukee 53202, Attention: Secretary. All such notices shall be given by first class mail, postage pre-paid, or by personal delivery.

(e) This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns and shall be binding upon and inure to the benefit of the Director, any Permitted Transferee, the Beneficiary and the personal representative(s) and heirs of the Director, except that the Director may not transfer any interest in any Restricted Stock prior to the release of the restrictions imposed by Paragraph 2 other than as provided in Paragraph 2 nor may the Director transfer any interest in any RSUs.

(f) The term "certificate" as used herein with regard to shares of Restricted Stock, includes electronic registration in the system of the Company's transfer agent for the Stock. The term "Committee" means any Committee of the Company's Board of Directors which is then administering the Plan if other than the Management Development, Nominating and Governance Committee.

(g) If Purchased Shares are pledged in accordance with the "Rules Relating to Pledges Under Non-Employee Directors Deposit Share Program" previously delivered to the Director, and are subsequently transferred (other than to a subsequent pledgee) prior to the Release Date, one and one-half shares of Restricted Stock shall be forfeited for each Purchased Share so transferred.

15. Permitted Transferee. In the event shares of Restricted Stock are transferred to a Permitted Transferee, (i) the provisions of Paragraphs 3, 4, 9, and 13 shall apply mutatis muntandis to the shares so transferred and to the Permitted Transferee; (ii) the provisions of Paragraphs 5, 8, 10, 11, 12 and 14 shall continue to apply without any change with respect to the shares so transferred; and (iii) the provisions of Paragraph 6 shall continue to apply without any change with respect to the shares so transferred, except that the shares to be forfeited shall be those shares of Restricted Stock that have not vested and which are held by the Permitted Transferee.

The end of Paragraph 15 is the end of the Incorporated Terms. The remainder of the Agreement is contained in the Base Instrument.

ANNEX

Definition of "Change in Control of the Company" and Related Terms

1 Change in Control of the Company. A "Change in Control of the Company" shall be deemed to have occurred if an event set forth in any one of the following paragraphs shall have occurred:

(i) any Person (other than (A) the Company or any of its subsidiaries, (B) a trustee or other fiduciary holding securities under any employee benefit plan of the Company or any of its subsidiaries, (C) an underwriter temporarily holding securities pursuant to an offering of such securities or (D) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock in the Company ("Excluded Persons")) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates after July 22, 1999, pursuant to express authorization by the Board of Directors of the Company (the "Board") that refers to this exception) representing more than 50% of the total fair market value of the stock of the Company or representing 50% or more of the total voting power of the stock of the Company; or

(ii) during any 12 consecutive month period, the following individuals cease for any reason to constitute a majority of the number of directors of the Company then serving: (A) individuals who, on July 22, 1999, constituted the Board and (B) any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A under the Act) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least a majority of the directors then still in office who either were directors on July 22, 1999, or whose initial appointment, election or nomination for election as a director which occurred after July 22, 1999 was approved by such vote of the directors then still in office at the time of such initial appointment, election or nomination who were themselves either directors on July 22, 1999 or initially appointed, elected or nominated by such majority vote as described above ad infinitum (collectively the "Continuing Directors"); provided, however, that individuals who are appointed to the Board pursuant to or in accordance with the terms of an agreement relating to a merger, consolidation, or share exchange involving the Company (or any direct or indirect subsidiary of the Company) shall not be Continuing Directors for purposes of this Agreement until after such individuals are first nominated for election by a vote of at least a majority of the then Continuing Directors and are thereafter elected as directors by the shareholders of the Company at a meeting of shareholders held following consummation of such merger, consolidation, or share exchange; and, provided further, that in the event the failure of any such persons

appointed to the Board to be Continuing Directors results in a Change in Control of the Company, the subsequent qualification of such persons as Continuing Directors shall not alter the fact that a Change in Control of the Company occurred; or

(iii) a merger, consolidation or share exchange of the Company with any other corporation is consummated or voting securities of the Company are issued in connection with a merger, consolidation or share exchange of the Company (or any direct or indirect subsidiary of the Company) pursuant to applicable stock exchange requirements, other than (A) a merger, consolidation or share exchange which would result in the voting securities of the Company entitled to vote generally in the election of directors outstanding immediately prior to such merger, consolidation or share exchange continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof entitled to vote generally in the election of directors of such entity or parent outstanding immediately after such merger, consolidation or share exchange, or (B) a merger, consolidation or share exchange effected to implement a recapitalization of the Company (or similar transaction) in which no Person (other than an Excluded Person) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates after July 22, 1999, pursuant to express authorization by the Board that refers to this exception) representing at least 50% of the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors; or

(iv) the sale or disposition by the Company of all or substantially all of the Company's assets to a Person (in one transaction or a series of related transactions within any period of 12 consecutive months), other than a sale or disposition by the Company of all or substantially all of the Company's assets to (a) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock; (b) an entity, 50 percent or more of the total value or voting power of which is owned, directly or indirectly, by the Company; (c) a Person that owns, directly or indirectly, 50 percent or more of the total value or voting power of all of the outstanding stock of the Company; or (d) an entity, at least 50 percent of the total value or voting power of which is owned, directly or indirectly, by a Person that owns, directly or indirectly, 50 percent or more of the total value or voting power of all the outstanding voting stock of the Company**.** It is understood that in no event shall a sale or disposition of assets be considered to be a sale of substantially all of the assets unless the assets sold or disposed of have a total gross fair market value of at least 40% of the total gross fair market value of all of the Company's assets immediately prior to such sale or disposition.

2 Related Definitions. For purposes of this Annex, the following terms, when capitalized, shall have the following meanings:

(i) Act. The term "Act" means the Securities Exchange Act of 1934, as amended.

(ii) Affiliate and Associate. The terms "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule l2b-2 of the General Rules and Regulations under the Act.

(iii) Beneficial Owner. A Person shall be deemed to be the "Beneficial Owner" of any securities:

(a) which such Person or any of such Person's Affiliates or Associates has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; *provided*, *however,* that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, (A) securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase, or (B) securities issuable upon exercise of Rights issued pursuant to the terms of the Company's Rights Agreement, dated as of July 22, 1999, between the Company and Wells Fargo Bank Minnesota, National Association (as successor Rights Agent), as amended from time to time (or any successor to such Rights Agreement), at any time before the issuance of such securities;

(b) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule l3d-3 of the General Rules and Regulations under the Act), including pursuant to any agreement, arrangement or understanding; *provided*, *however,* that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security under this Subsection 1 (c) as a result of an agreement, arrangement or understanding to vote such security if the agreement, arrangement or understanding: (A) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations under the Act and (B) is not also then reportable on a Schedule l3D under the Act (or any comparable or successor report); or

(c) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding for the

purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in Subsection 1(c) (ii) above) or disposing of any voting securities of the Company.

(iv) Person. The term “Person” shall mean any individual, firm, partnership, corporation or other entity, including any successor (by merger or otherwise) of such entity, or a group of any of the foregoing acting in concert.

(v) Stock. The term “stock” shall have the meaning contemplated by Treasury Regulation 1.409A-1 et seq.

EXHIBIT 11

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
STATEMENT RE COMPUTATION OF NET INCOME PER SHARE
Three Months Ended March 31,2008 and 2007

	Three Months Ended March 31,	
	2008	2007
	(In thousands of dollars)	
BASIC EARNINGS PER SHARE		
Average common shares outstanding	84,127	81,890
Net (loss) income	$(34,394)	$92,363
Basic (loss) earnings per share	$ (0.41)	$ 1.13
DILUTED EARNINGS PER SHARE		
Adjusted weighted average shares outstanding:		
Average common shares outstanding	84,127	81,890
Common stock equivalents	—	464
Adjusted weighted average diluted shares outstanding	84,127	82,354
Net (loss) income	$(34,394)	$92,363
Diluted (loss) earnings per share	$ (0.41)	$ 1.12

(1) Per Statement of Financial Accounting Standards No. 128, “Earnings Per Share”, for the three months ended March 31, 2008 the diluted weighted-average shares are equivalent to the basic weighted average shares due to a net loss from continuing operations.

I, Curt S. Culver, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MGIC Investment Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's

auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2008

/s/ Curt S. Culver
Curt S. Culver
Chief Executive Officer

CERTIFICATIONS

I, J. Michael Lauer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MGIC Investment Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2008

/s/ J. Michael Lauer
J. Michael Lauer
Chief Financial Officer

SECTION 1350 CERTIFICATIONS

The undersigned, Curt S. Culver, Chief Executive Officer of MGIC Investment Corporation (the "Company"), and J. Michael Lauer, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S. C. Section 1350, that to our knowledge:

(1) the Quarterly Report on Form 10-Q of the Company for the three months ended March 31, 2008 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 12, 2008

/s/ Curt S. Culver
Curt S. Culver
Chief Executive Officer

/s/ J. Michael Lauer
J. Michael Lauer
Chief Financial Officer

Risk Factors included in Item 1 A of our Annual Report on Form 10-K for the year ended December 31, 2007, as supplemented by Part II, Item 1A of our Quarterly Reports on Form 10-Q for the quarter ended March 31, 2008 and through updating of various statistical and other information

A downturn in the domestic economy or deterioration in home prices in the segment of the market we serve may result in more homeowners defaulting and our losses increasing.

Losses result from events that reduce a borrower's ability to continue to make mortgage payments, such as unemployment, and whether the home of a borrower who defaults on his mortgage can be sold for an amount that will cover unpaid principal and interest and the expenses of the sale. Favorable economic conditions generally reduce the likelihood that borrowers will lack sufficient income to pay their mortgages and also favorably affect the value of homes, thereby reducing and in some cases even eliminating a loss from a mortgage default. A deterioration in economic conditions generally increases the likelihood that borrowers will not have sufficient income to pay their mortgages and can also adversely affect housing values, which in turn can influence the willingness of borrowers with sufficient resources to make mortgage payments to do so when the mortgage balance exceeds the value of the home. Housing values may decline even absent a deterioration in economic conditions due to declines in demand for homes, which in turn may result from changes in buyers' perceptions of the potential for future appreciation, restrictions on mortgage credit due to more stringent underwriting standards or other factors. Recently, the residential mortgage market in the United States has experienced a variety of worsening economic conditions and housing prices in many areas have declined or stopped appreciating after extended periods of significant appreciation. A significant deterioration in economic conditions or an extended period of flat or declining housing values may result in increased losses which would materially affect our results of operations and financial condition.

The mix of business we write also affects the likelihood of losses occurring.

Certain types of mortgages have higher probabilities of claims. These segments include loans with loan-to- value ratios over 95% (including loans with 100% loan-to-value ratios), FICO credit scores below 620, limited underwriting, including limited borrower documentation, or total debt-to-income ratios of 38% or higher, as well as loans having combinations of higher risk factors. In recent years, the percentage of our volume written on a flow basis that includes these segments has continued to increase. As of March 31, 2008, approximately 59.5% of our primary risk in force consisted of loans with loan-to-value ratios equal to or greater than 95%, 10.9% with FICO credit scores below 620, and 13.8% with limited underwriting, including limited borrower documentation.

As of March 31, 2008, approximately 4.3% of our primary risk in force written through the flow channel, and 41.6% of our primary risk in force written through the bulk channel, consisted of adjustable rate mortgages in which the initial interest rate may be adjusted during the five years after the mortgage closing ("ARMs"). We classify as fixed

rate loans adjustable rate mortgages in which the initial interest rate is fixed during the five years after the mortgage closing. We believe that when the reset interest rate significantly exceeds the interest rate at loan origination, claims on ARMs would be substantially higher than for fixed rate loans. Moreover, even if interest rates remain unchanged, claims on ARMs with a "teaser rate" (an initial interest rate that does not fully reflect the index which determines subsequent rates) may also be substantially higher because of the increase in the mortgage payment that will occur when the fully indexed rate becomes effective. In addition, we believe the volume of "interest-only" loans, which may also be ARMs, and loans with negative amortization features, such as pay option ARMs, increased in 2005 and 2006 and remained at these levels during the first half of 2007, before beginning to decline in the second half of 2007. Because interest-only loans and pay option ARMs are a relatively recent development, we have no meaningful data on their historical performance. We believe claim rates on certain of these loans will be substantially higher than on loans without scheduled payment increases that are made to borrowers of comparable credit quality.

Although we attempt to incorporate these higher expected claim rates into our underwriting and pricing models, there can be no assurance that the premiums earned and the associated investment income will prove adequate to compensate for actual losses from these loans.

Because we establish loss reserves only upon a loan default rather than based on estimates of our ultimate losses, our earnings may be adversely affected by losses disproportionately in certain periods.

In accordance with GAAP for the mortgage insurance industry, we establish loss reserves only for loans in default. Reserves are established for reported insurance losses and loss adjustment expenses based on when notices of default on insured mortgage loans are received. Reserves are also established for estimated losses incurred on notices of default that have not yet been reported to us by the servicers (this is what is referred to as "IBNR" in the mortgage insurance industry). We establish reserves using estimated claims rates and claims amounts in estimating the ultimate loss. Because our reserving method does not take account of the impact of future losses that could occur from loans that are not delinquent, our obligation for ultimate losses that we expect to occur under our policies in force at any period end is not reflected in our financial statements, except in the case where a premium deficiency exists. As a result, future losses may have a material impact on future results as losses emerge.

Loss reserve estimates are subject to uncertainties and paid claims may substantially exceed our loss reserves.

We establish reserves using estimated claim rates and claim amounts in estimating the ultimate loss. The estimated claim rates and claim amounts represent what we believe best reflect the estimate of what will actually be paid on the loans in default as of the reserve date.

The establishment of loss reserves is subject to inherent uncertainty and requires judgment by management. The actual amount of the claim payments may be substantially higher than our loss reserve estimates. Our estimates could be adversely

affected by several factors, including a deterioration of regional or national economic conditions leading to a reduction in borrowers' income and thus their ability to make mortgage payments, and a drop in housing values that could materially reduce our ability to mitigate potential loss through property acquisition and resale or expose us to greater loss on resale of properties obtained through the claim settlement process. Changes to our estimates could result in material changes to our results of operations, even in a stable economic environment, and there can be no assurance that actual claims paid by us will not substantially exceed our loss reserves.

Our shareholders' equity could fall below the minimum amount required under our bank debt.

We have drawn the entire $300 million available under our bank revolving credit facility which matures in March 2010. This facility requires that we maintain shareholders' equity of $2.250 billion, except that under a March 2008 amendment to the facility we need only maintain shareholders' equity of $1.850 billion during the period March 31, 2008 through July 1, 2008. At March 31, 2008, our shareholders' equity was $2.99 billion. We expect we will have a net loss in 2008, with the result that we expect our shareholders' equity to decline. Our current forecast of our 2008 net loss would not reduce our forecasted shareholders' equity below $2.250 billion. There can be no assurance that our actual results will not be materially worse than our forecast or that losses in future years, if they occur, will not reduce our shareholders' equity below the minimum amount required under our bank revolving credit facility.

In addition, regardless of our results of operations, our shareholders' equity would be reduced to the extent the carrying value of our investment portfolio declines from its carrying value at March 31, 2008 due to market value adjustments and to the extent we pay dividends to our shareholders. At March 31, 2008, the modified duration of our fixed income portfolio was 4.4 years, which means that an instantaneous parallel shift in the yield curve of 100 basis points would result in a change of 4.4% (approximately $270 million) in the market value of this portfolio. For an upward shift in the yield curve, the market value of this portfolio would decrease, and for a downward shift in the yield curve, the market value would increase. Recent volatility in the bond market, particularly the municipal bond market, has increased the likelihood that changes in fair values of our portfolio, which flow through our other comprehensive income, could materially reduce shareholders' equity. Market value adjustments could also occur as a result of changes in credit spreads. At our current annual dividend rate, approximately $9.4 million would be paid in dividends in the remainder of 2008.

If we did not meet the minimum shareholders' equity requirement and are not successful obtaining an agreement from banks holding a majority of the debt outstanding under the facility to change (or waive) this requirement, banks holding a majority of the debt outstanding under the facility would have the right to declare the entire amount of the outstanding debt due and payable. If the debt under our bank facility were accelerated in this manner, the holders of 25% or more of our publicly traded $200 million 5.625% senior notes due in September 2011, and the holders of 25% or more of our publicly traded $300 million 5.375% senior notes due in November 2015, each would have the right to accelerate the maturity of that debt. In addition, the trustee of these two issues of senior notes, which is also a lender under our bank credit facility, could, independent of any action by holders of senior notes, accelerate the

maturity of the senior notes. In the event the amounts owing under our revolving credit facility or any series of our outstanding senior notes are accelerated, we may not have sufficient funds to repay any such amounts.

The premiums we charge may not be adequate to compensate us for our liabilities for losses and as a result any inadequacy could materially affect our financial condition and results of operations.

We set premiums at the time a policy is issued based on our expectations regarding likely performance over the long-term. Generally, we cannot cancel the mortgage insurance coverage or adjust renewal premiums during the life of a mortgage insurance policy. As a result, higher than anticipated claims generally cannot be offset by premium increases on policies in force or mitigated by our non-renewal or cancellation of insurance coverage. The premiums we charge, and the associated investment income, may not be adequate to compensate us for the risks and costs associated with the insurance coverage provided to customers. An increase in the number or size of claims, compared to what we anticipate, could adversely affect our results of operations or financial condition.

On January 22, 2008, we announced that we had decided to stop writing the portion of our bulk business that insures loans which are included in Wall Street securitizations because the performance of loans included in such securitizations deteriorated materially in the fourth quarter of 2007 and this deterioration was materially worse than we experienced for loans insured through the flow channel or loans insured through the remainder of our bulk channel. On February 13, 2008, we announced that we had established a premium deficiency reserve of approximately $1.2 billion. As of March 31, 2008, the premium deficiency reserve was $947 million. This amount is the present value of expected future losses and expenses that exceeded the present value of expected future premium and already established loss reserves on these bulk transactions.

There can be no assurance that additional premium deficiency reserves on other portions of our insurance portfolio will not be required.

The amount of insurance we write could be adversely affected if lenders and investors select alternatives to private mortgage insurance.

These alternatives to private mortgage insurance include:

Ÿ lenders and other investors holding mortgages in portfolio and self-insuring,

Ÿ investors using credit enhancements other than private mortgage insurance, using other credit enhancements in conjunction with reduced levels of private mortgage insurance coverage, or accepting credit risk without credit enhancement,

Ÿ lenders using government mortgage insurance programs, including those of the Federal Housing Administration and the Veterans Administration, and

Ÿ lenders originating mortgages using piggyback structures to avoid private mortgage insurance, such as a first mortgage with an 80% loan-to-value ratio and a

second mortgage with a 10%, 15% or 20% loan-to- value ratio (referred to as 80-10-10, 80-15-5 or 80-20 loans, respectively) rather than a first mortgage with a 90%, 95% or 100% loan-to-value ratio that has private mortgage insurance.

Our financial strength rating has been downgraded below Aa3/AA-, which could reduce the volume of our new business writings.

On April 8, 2008, Standard & Poor's Rating Services lowered the insurer financial strength rating of MGIC, our principal mortgage insurance subsidiary, from AA- to A with a negative outlook. The financial strength of MGIC is rated Aa2 by Moody's Investors Service, which is reviewing MGIC's rating for possible downgrade. The financial strength of MGIC is rated AA by Fitch Ratings. In late February 2008 Fitch announced that it was placing MGIC's rating on rating watch negative.

The mortgage insurance industry has historically viewed a financial strength rating of Aa3/AA- as critical to writing new business. In part this view has resulted from the mortgage insurer eligibility requirements of the GSEs, which each year purchase the majority of loans insured by us and the rest of the mortgage insurance industry. The eligibility requirements define the standards under which the GSEs will accept mortgage insurance as a credit enhancement on mortgages they acquire. These standards impose additional restrictions on insurers that do not have a financial strength rating of at least Aa3/AA-. These restrictions include not permitting such insurers to engage in captive reinsurance transactions with lenders. For many years, captive reinsurance has been an important means through which mortgage insurers compete for business from lenders, including lenders who sell a large volume of mortgages to the GSEs. In February 2008 Freddie Mac announced that it was temporarily suspending the portion of its eligibility requirements that impose additional restrictions on a mortgage insurer that is downgraded below Aa3/AA- if the affected insurer commits to submitting a complete remediation plan for its approval. In February 2008 Fannie Mae advised us that it would not automatically impose additional restrictions on a mortgage insurer that is downgraded below Aa3/AA- if the affected insurer submits a written remediation plan.

Because MGIC was downgraded to 'A' by Standard & Poor's Rating Services on April 8, 2008, we are in the process of submitting written remediation plans to both Freddie Mac and Fannie Mae. There can be no assurance that we will be able to submit acceptable remediation plans to them in a timely manner. In addition, there can be no assurance that Freddie Mac and Fannie Mae will continue the positions described above with respect to mortgage insurers that have been downgraded below Aa3/AA-.

Apart from the effect of the eligibility requirements of the GSEs, we believe lenders who hold mortgages in portfolio and choose to obtain mortgage insurance on the loans assess a mortgage insurer's financial strength rating as one element of the process through which they select mortgage insurers. As a result of these considerations, a mortgage insurer such as MGIC that is rated less than Aa3/AA- may be competitively disadvantaged.

Competition or changes in our relationships with our customers could reduce our revenues or increase our losses.

Competition for private mortgage insurance premiums occurs not only among private mortgage insurers but also with mortgage lenders through captive mortgage reinsurance transactions. In these transactions, a lender's affiliate reinsures a portion of the insurance written by a private mortgage insurer on mortgages originated or serviced by the lender. As discussed under "- We are subject to risk from private litigation and regulatory proceedings" below, we provided information to the New York Insurance Department and the Minnesota Department of Commerce about captive mortgage reinsurance arrangements. Other insurance departments or other officials, including attorneys general, may also seek information about or investigate captive mortgage reinsurance.

The level of competition within the private mortgage insurance industry has also increased as many large mortgage lenders have reduced the number of private mortgage insurers with whom they do business. At the same time, consolidation among mortgage lenders has increased the share of the mortgage lending market held by large lenders. Our private mortgage insurance competitors include:

Ÿ PMI Mortgage Insurance Company,

Ÿ Genworth Mortgage Insurance Corporation,

Ÿ United Guaranty Residential Insurance Company,

Ÿ Radian Guaranty Inc.,

Ÿ Republic Mortgage Insurance Company, whose parent, based on information filed with the SEC through May 8, 2008, is our largest shareholder,

Ÿ Triad Guaranty Insurance Corporation, and

Ÿ CMG Mortgage Insurance Company.

Our relationships with our customers could be adversely affected by a variety of factors, including the adoption of our new underwriting guidelines, which will result in our declining to insure some of the loans originated by our customers.

While the mortgage insurance industry has not had new entrants in many years, it is possible that positive business fundamentals combined with the deterioration of the financial strength ratings of the existing mortgage insurance companies could encourage the formation of start-up mortgage insurers.

If interest rates decline, house prices appreciate or mortgage insurance cancellation requirements change, the length of time that our policies remain in force could decline and result in declines in our revenue.

In each year, most of our premiums are from insurance that has been written in prior years. As a result, the length of time insurance remains in force, which is also generally referred to as persistency, is a significant determinant of our revenues. The factors affecting the length of time our insurance remains in force include:

Ÿ the level of current mortgage interest rates compared to the mortgage coupon rates on the insurance in force, which affects the vulnerability of the insurance in force to refinancings, and

Ÿ mortgage insurance cancellation policies of mortgage investors along with the rate of home price appreciation experienced by the homes underlying the mortgages in the insurance in force.

During the 1990s, our year-end persistency ranged from a high of 87.4% at December 31, 1990 to a low of 68.1% at December 31, 1998. At March 31, 2008 persistency was at 77.5%, compared to the record low of 44.9% at September 30, 2003. Over the past several years, refinancing has become easier to accomplish and less costly for many consumers. Hence, even in an interest rate environment favorable to persistency improvement, we do not expect persistency will reach its December 31, 1990 level.

If the volume of low down payment home mortgage originations declines, the amount of insurance that we write could decline, which would reduce our revenues.

The factors that affect the volume of low-down-payment mortgage originations include:

Ÿ the level of home mortgage interest rates,

Ÿ the health of the domestic economy as well as conditions in regional and local economies,

Ÿ housing affordability,

Ÿ population trends, including the rate of household formation,

Ÿ the rate of home price appreciation, which in times of heavy refinancing can affect whether refinance loans have loan-to-value ratios that require private mortgage insurance, and

Ÿ government housing policy encouraging loans to first-time homebuyers.

Changes in the business practices of Fannie Mae and Freddie Mac could reduce our revenues or increase our losses.

The majority of our insurance written through the flow channel is for loans sold to Fannie Mae and Freddie Mac, each of which is a government sponsored entity, or GSE. As a result, the business practices of the GSEs affect the entire relationship between them and mortgage insurers and include:

Ÿ the level of private mortgage insurance coverage, subject to the limitations of Fannie Mae and Freddie Mac's charters, when private mortgage insurance is used as the required credit enhancement on low down payment mortgages,

Ÿ whether Fannie Mae or Freddie Mac influence the mortgage lender's selection of the mortgage insurer providing coverage and, if so, any transactions that are related to that selection,

Ÿ the underwriting standards that determine what loans are eligible for purchase by Fannie Mae or Freddie Mac, which thereby affect the quality of the risk insured by the mortgage insurer and the availability of mortgage loans,

Ÿ the terms on which mortgage insurance coverage can be canceled before reaching the cancellation thresholds established by law, and

Ÿ the circumstances in which mortgage servicers must perform activities intended to avoid or mitigate loss on insured mortgages that are delinquent.

In addition, both Fannie Mae and Freddie Mac have policies which provide guidelines on terms under which they can conduct business with mortgage insurers with financial strength ratings below Aa3/AA-. In February 2008 Freddie Mac announced that it was temporarily suspending the portion of its eligibility requirements that impose additional restrictions on a mortgage insurer that is downgraded below Aa3/AA- if the affected insurer commits to submitting a complete remediation plan for its approval. In February 2008 Fannie Mae advised us that it would not automatically impose additional restrictions on a mortgage insurer that is downgraded below Aa3/AA- if the affected insurer submits a written remediation plan. There can be no assurance that Freddie Mac and Fannie Mae will continue these positions or that we will be able to submit acceptable remediation plans to them in a timely manner.

We are subject to the risk of private litigation and regulatory proceedings.

Consumers are bringing a growing number of lawsuits against home mortgage lenders and settlement service providers. In recent years, seven mortgage insurers, including MGIC, have been involved in litigation alleging violations of the anti-referral fee provisions of the Real Estate Settlement Procedures Act, which is commonly known as RESPA, and the notice provisions of the Fair Credit Reporting Act, which is commonly known as FCRA. MGIC's settlement of class action litigation against it under RESPA became final in October 2003. MGIC settled the named plaintiffs' claims in litigation against it under FCRA in late December 2004 following denial of class certification in June 2004. Since December 2006, class action litigation was separately brought against a number of large lenders alleging that their captive mortgage reinsurance arrangements violated RESPA. While we are not a defendant in any of these cases, there can be no assurance that we will not be subject to future litigation under RESPA or FCRA or that the outcome of any such litigation would not have a material adverse effect on us.

In June 2005, in response to a letter from the New York Insurance Department, we provided information regarding captive mortgage reinsurance arrangements and other types of arrangements in which lenders receive compensation. In February 2006, the New York Insurance Department requested MGIC to review its premium rates in New

York and to file adjusted rates based on recent years' experience or to explain why such experience would not alter rates. In March 2006, MGIC advised the New York Insurance Department that it believes its premium rates are reasonable and that, given the nature of mortgage insurance risk, premium rates should not be determined only by the experience of recent years. In February 2006, in response to an administrative subpoena from the Minnesota Department of Commerce, which regulates insurance, we provided the Department with information about captive mortgage reinsurance and certain other matters. We subsequently provided additional information to the Minnesota Department of Commerce, and on March 6, 2008 that Department sought additional information as well as answers to interrogatories regarding captive mortgage reinsurance. We understand from conversations with the Minnesota Department of Commerce that the Department of Housing and Urban Development, commonly referred to as HUD, will also be seeking information about captive mortgage reinsurance. Other insurance departments or other officials, including attorneys general, may also seek information about or investigate captive mortgage reinsurance.

The anti-referral fee provisions of RESPA provide that the Department of Housing and Urban Development as well as the insurance commissioner or attorney general of any state may bring an action to enjoin violations of these provisions of RESPA. The insurance law provisions of many states prohibit paying for the referral of insurance business and provide various mechanisms to enforce this prohibition. While we believe our captive reinsurance arrangements are in conformity with applicable laws and regulations, it is not possible to predict the outcome of any such reviews or investigations nor is it possible to predict their effect on us or the mortgage insurance industry.

In October 2007, the Division of Enforcement of the Securities and Exchange Commission requested that we voluntarily furnish documents and information primarily relating to C-BASS, the now-terminated merger with Radian and the subprime mortgage assets "in the Company's various lines of business." We are in the process of providing responsive documents and information to the Securities and Exchange Commission.

We understand that two law firms have recently issued press releases to the effect that they are investigating whether the fiduciaries of our 401(k) plan breached their fiduciary duties regarding the plan's investment or holding of our common stock. With limited exceptions, our bylaws provide that the plan fiduciaries are entitled to indemnification from us for claims against them. We intend to defend vigorously any proceedings that may result from these investigations.

The Internal Revenue Service has proposed significant adjustments to our taxable income for 2000 through 2004.

The Internal Revenue Service has been conducting an examination of our federal income tax returns for taxable years 2000 though 2004. On June 1, 2007, as a result of this examination, we received a revenue agent report. The adjustments reported on the revenue agent report would substantially increase taxable income for those tax years and resulted in the issuance of an assessment for unpaid taxes totaling $189.5 million in taxes and accuracy related penalties, plus applicable interest. We have agreed with the Internal Revenue Service on certain issues and paid $10.5 million in additional taxes and interest. The remaining open issue relates to our treatment of the flow through

income and loss from an investment in a portfolio of residual interests of Real Estate Mortgage Investment Conduits, or REMICs. This portfolio has been managed and maintained during years prior to, during and subsequent to the examination period. The Internal Revenue Service has indicated that it does not believe, for various reasons, that we have established sufficient tax basis in the REMIC residual interests to deduct the losses from taxable income. We disagree with this conclusion and believe that the flow through income and loss from these investments was properly reported on our federal income tax returns in accordance with applicable tax laws and regulations in effect during the periods involved and have appealed these adjustments. The appeals process may take some time and a final resolution may not be reached until a date many months or years into the future. In July 2007, we made a payment on account of $65.2 million with the United States Department of the Treasury to eliminate the further accrual of interest. We believe, after discussions with outside counsel about the issues raised in the revenue agent report and the procedures for resolution of the disputed adjustments, that an adequate provision for income taxes has been made for potential liabilities that may result from these notices. If the outcome of this matter results in payments that differ materially from our expectations, it could have a material impact on our effective tax rate, results of operations and cash flows.

Net premiums written could be adversely affected if the Department of Housing and Urban Development reproposes and adopts a regulation under the Real Estate Settlement Procedures Act that is equivalent to a proposed regulation that was withdrawn in 2004.

Department of Housing and Urban Development, or HUD, regulations under RESPA prohibit paying lenders for the referral of settlement services, including mortgage insurance, and prohibit lenders from receiving such payments. In July 2002, HUD proposed a regulation that would exclude from these anti-referral fee provisions settlement services included in a package of settlement services offered to a borrower at a guaranteed price. HUD withdrew this proposed regulation in March 2004. Under the proposed regulation, if mortgage insurance were required on a loan, the package must include any mortgage insurance premium paid at settlement. Although certain state insurance regulations prohibit an insurer’s payment of referral fees, had this regulation been adopted in this form, our revenues could have been adversely affected to the extent that lenders offered such packages and received value from us in excess of what they could have received were the anti-referral fee provisions of RESPA to apply and if such state regulations were not applied to prohibit such payments.

We could be adversely affected if personal information on consumers that we maintain is improperly disclosed.

As part of our business, we maintain large amounts of personal information on consumers. While we believe we have appropriate information security policies and systems to prevent unauthorized disclosure, there can be no assurance that unauthorized disclosure, either through the actions of third parties or employees, will not occur. Unauthorized disclosure could adversely affect our reputation and expose us to material claims for damages.

The implementation of the Basel II capital accord may discourage the use of mortgage insurance.

In 1988, the Basel Committee on Banking Supervision developed the Basel Capital Accord (the Basel I), which set out international benchmarks for assessing banks' capital adequacy requirements. In June 2005, the Basel Committee issued an update to Basel I (as revised in November 2005, Basel II). Basel II, which is scheduled to become effective in the United States and many other countries in 2008, affects the capital treatment provided to mortgage insurance by domestic and international banks in both their origination and securitization activities.

The Basel II provisions related to residential mortgages and mortgage insurance may provide incentives to certain of our bank customers not to insure mortgages having a lower risk of claim and to insure mortgages having a higher risk of claim. The Basel II provisions may also alter the competitive positions and financial performance of mortgage insurers in other ways, including reducing our ability to successfully establish or operate our planned international operations.

Our international operations may subject us to numerous risks.

We have committed significant resources to begin international operations, initially in Australia, where we started to write business in June 2007. We plan to expand our international activities to other countries, including Canada. In view of our need to dedicate capital to our domestic mortgage insurance operations, we are exploring alternatives for our international activities which may include a partner. In addition to the general economic and insurance business-related factors discussed above, we are subject to a number of risks associated with our international business activities, including: dependence on regulatory and third-party approvals, changes in rating or outlooks assigned to our foreign subsidiaries by rating agencies, economic downturns in targeted foreign mortgage origination markets, foreign currency exchange rate fluctuations; and interest-rate volatility in a variety of countries. Any one or more of the risks listed above could limit or prohibit us from developing our international operations profitably. In addition, we may not be able to effectively manage new operations or successfully integrate them into our existing operations.

We are susceptible to disruptions in the servicing of mortgage loans that we insure.

We depend on reliable, consistent third-party servicing of the loans that we insure. A recent trend in the mortgage lending and mortgage loan servicing industry has been towards consolidation of loan servicers. This reduction in the number of servicers could lead to disruptions in the servicing of mortgage loans covered by our insurance policies. This, in turn, could contribute to a rise in delinquencies among those loans and could have a material adverse effect on our business, financial condition and operating results. Additionally, increasing delinquencies have strained the resources of servicers, reducing their ability to undertake mitigation efforts that could help limit our losses.

Our income from our Sherman joint venture could be adversely affected by uncertain economic factors impacting the consumer sector and by lenders reducing the availability of credit or increasing its cost.

Sherman is principally engaged in purchasing and collecting for its own account delinquent consumer receivables, which are primarily unsecured, and in originating and servicing subprime credit card receivables. Sherman's results are sensitive to its ability

to purchase receivable portfolios on favorable terms and to service those receivables such that it meets its return targets. In addition, the volume of credit card originations and the related returns on the credit card portfolio are impacted by general economic conditions and consumer behavior. Sherman's operations are principally financed with debt under credit facilities. Recently there has been a general tightening in credit markets, with the result that lenders are generally becoming more restrictive in the amount of credit they are willing to provide and in the terms of credit that is provided. Credit tightening could adversely impact Sherman's ability to obtain sufficient funding to maintain or expand its business and could increase the cost of funding that is obtained.