MGIC INVESTMENT CORP
Form S-1/A
March 14, 2008

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As filed with the Securities and Exchange Commission on March 14, 2008

Registration No. 333-149506

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

AMENDMENT NO. 1 TO
FORM S-1
REGISTRATION STATEMENT
Under
THE SECURITIES ACT OF 1933

MGIC INVESTMENT CORPORATION
(Exact name of registrant as specified in its charter)

Wisconsin	**6351**	**39-1486475**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

MGIC Plaza
250 East Kilbourn Avenue
Milwaukee, Wisconsin 53202
(414) 347-6480
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Jeffrey H. Lane
Executive Vice President, Secretary and General Counsel
MGIC Investment Corporation
MGIC Plaza
250 East Kilbourn Avenue
Milwaukee, WI 53202

(414) 347-6480
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Benjamin F. Garmer, III **Patrick G. Quick** **Foley & Lardner LLP** **777 East Wisconsin Avenue** **Milwaukee, Wisconsin 53202** **(414) 271-2400**	**Edward S. Best** **Mayer Brown LLP** **71 South Wacker Drive** **Chicago, IL 60606** **(312) 782-0600**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) of the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) of the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities nor a solicitation of an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 14, 2008

Prospectus

Shares

MGIC Investment Corporation

Common Stock

We are offering shares of our common stock.

Our common stock is listed on the New York Stock Exchange under the symbol MTG. On March 12, 2008, the last sale price of our common stock as reported on the New York Stock Exchange was $12.92 per share.

Before making any investment in the common stock, you should carefully consider the risks that are described in the Risk Factors section beginning on page 10 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We have granted to the underwriters an option to purchase up to additional shares of common stock on the same terms and conditions set forth above if the underwriters sell more than shares of common stock in this offering. The underwriters can exercise this right at any time and from time to time, in whole or in part, within 30 days of the offering. The underwriters expect to deliver the shares of common stock to investors on or about , 2008.

Banc of America Securities LLC

The date of this prospectus is , 2008.

You should rely only on the information contained or incorporated by reference in this prospectus and any other offering material we or the underwriters provide. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information contained or incorporated by reference in this prospectus is accurate only as of the date on the cover of this prospectus, or in the case of documents incorporated by reference, the date of such documents, regardless of the time of delivery of this prospectus or any sales of our common stock. Our business, financial condition, results of operations and prospects may have changed since those dates.

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Unless the context otherwise requires, references in this prospectus to our company, we, us, our or ours re MGIC Investment Corporation and its consolidated subsidiaries, and references to MGIC mean our primary insurance subsidiary, Mortgage Guaranty Insurance Corporation. Sherman Financial Group LLC, or Sherman, Credit-Based Asset Servicing and Securitization LLC, or C-BASS, and our other less than majority-owned joint ventures and investments are not consolidated with us for financial reporting purposes, are not our subsidiaries and are not included in the terms our company, we, us, our and ours and other si terms. The description of our business in this prospectus generally does not apply to our international operations which began in 2007, are conducted only in Australia and are immaterial.

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CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING INFORMATION

This prospectus and any other offering material, and the documents incorporated by reference in this prospectus and any other offering material, contain statements that we believe to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than historical facts, including, without limitation, statements regarding our future financial position, business strategy, projected revenues, claims, earnings, costs, debt and equity levels, and plans and objectives of management for future operations, are forward-looking statements. When used in this prospectus, any other offering material and the documents incorporated by reference, words such as we expect, intend, plan, estimate, anticipate, believe or should or the negative thereof or var thereon or similar terminology are generally intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, such statements. Some, but not all, of the risks and uncertainties include the factors described under Risk Factors.

We urge you to consider these factors before investing in our common stock. The forward-looking statements included in this prospectus and any other offering material, or in the documents incorporated by reference into this prospectus and any other offering material, are made only as of the date of the prospectus, any other offering material or the incorporated document, as applicable, and we undertake no obligation to publicly update these statements to reflect subsequent events or circumstances.

SUMMARY

The information below is only a summary of more detailed information included elsewhere, or incorporated by reference, in this prospectus. This summary may not contain all the information that is important to you or that you should consider before making a decision to invest in our common stock. For a more complete understanding of us and this offering of our common stock, please read this entire prospectus, especially the risks of investing in our common stock discussed under Risk Factors, as well as the information incorporated by reference into this prospectus.

MGIC Investment Corporation

We are a holding company and, through our wholly owned subsidiary, MGIC, we are the leading provider of private mortgage insurance in the United States. MGIC is licensed in all 50 states of the United States, the District of Columbia, Puerto Rico and Guam. One of MGIC s subsidiaries is licensed in Australia and another is in the process of becoming licensed in Canada. In 2007, we wrote net premiums of approximately $1.35 billion and earned net premiums of approximately $1.26 billion. Total shareholders equity at December 31, 2007 was approximately $2.59 billion. In 2006, we wrote net premiums of approximately $1.22 billion and earned net premiums of approximately $1.19 billion. Total shareholders equity at December 31, 2006 was approximately $4.30 billion.

Private mortgage insurance covers losses from homeowner defaults on residential first mortgage loans and expands home ownership opportunities by helping people purchase homes with less than 20% down payments. If the homeowner defaults, private mortgage insurance reduces and, in some instances, eliminates the loss to the insured institution. Private mortgage insurance also facilitates the sale of low down payment mortgage loans in the secondary mortgage market, including to the Federal National Mortgage Association, commonly known as Fannie Mae, and the Federal Home Loan Mortgage Corporation, commonly known as Freddie Mac. In this prospectus, we refer to Fannie Mae and Freddie Mac collectively as the GSEs. In addition to mortgage insurance on first liens, we, through our subsidiaries, provide home mortgage lenders with various underwriting and other services and products related to home mortgage lending.

In general, there are two principal types of private mortgage insurance: primary and pool.

Primary Insurance. Primary insurance provides mortgage default protection on individual loans and covers unpaid loan principal, delinquent interest and certain expenses associated with the default and subsequent foreclosure (collectively, the claim amount). In addition to the loan principal, the claim amount is affected by the mortgage note rate and the time necessary to complete the foreclosure process. The insurer generally pays the coverage percentage of the claim amount specified in the primary policy, but has the option to pay 100% of the claim amount and acquire title to the property. Primary insurance is generally written on first mortgage loans secured by owner occupied single-family homes, which are one-to-four family homes and condominiums. Primary insurance is also written on first liens secured by non-owner occupied single-family homes, which are referred to in the home mortgage lending industry as investor loans, and on vacation or second homes. Primary coverage can be used on any type of residential mortgage loan instrument approved by the mortgage insurer.

Primary insurance may be written on a flow basis, in which loans are insured in individual, loan-by-loan transactions, or may be written on a bulk basis, in which each loan in a portfolio of loans is individually insured in a single, bulk transaction. New insurance written on a flow basis was $69.0 billion in 2007 compared to $39.3 billion in 2006 and $40.1 billion in 2005. New insurance written for bulk transactions was $7.8 billion during 2007 compared to $18.9 billion for 2006 and $21.4 billion for 2005. In the fourth quarter of 2007, we decided to stop writing the portion of our bulk business that insures mortgage loans included in home equity (or private label) securitizations, which are the terms the market uses to refer to securitizations sponsored by firms besides the GSEs or the Government National Mortgage Association, such as Wall Street investment banks. We refer to portfolios of loans we insured through the bulk channel that we knew would serve as collateral in a home equity securitization as Wall Street bulk transactions. We will, however, continue to insure loans on a bulk basis when we believe that the loans will be sold to a GSE or retained by the lender. The following table shows, on a direct basis, primary insurance in force, which is the unpaid principal balance of insured loans as reflected in our records, and primary risk in force, which is the coverage percentage applied to the unpaid principal balance, for insurance that has been written by MGIC as of the dates indicated:

	December 31,				
	2007	2006	2005	2004	2003
	(in millions)				
Direct Primary Insurance In Force	$ 211,745	$ 176,531	$ 170,029	$ 177,091	$ 189,632
Direct Primary Risk In Force	$ 55,794	$ 47,079	$ 44,860	$ 45,981	$ 48,658

Pool Insurance. Pool insurance is generally used as an additional credit enhancement for certain secondary market mortgage transactions. Pool insurance generally covers the loss on a defaulted mortgage loan which exceeds the claim payment under the primary coverage, if primary insurance is required on that mortgage loan, as well as the total loss on a defaulted mortgage loan which did not require primary insurance. Pool insurance usually has a stated aggregate loss limit and may also have a deductible under which no losses are paid by the insurer until losses exceed the deductible.

New pool risk written was $211 million in 2007, $240 million in 2006 and $358 million in 2005. New pool risk written during these years was primarily comprised of risk associated with loans delivered to Freddie Mac and Fannie Mae, loans insured through the bulk channel, loans delivered to the Federal Home Loan Banks under their mortgage purchase programs and loans made under state housing finance programs. Direct pool risk in force at December 31, 2007 was $2.8 billion compared to $3.1 billion and $2.9 billion at December 31, 2006 and 2005, respectively. The risk amounts referred to above represent pools of loans with contractual aggregate loss limits and in some cases without these limits. For pools of loans without these limits, risk is estimated based on the amount that would credit enhance these loans to a AA level based on a rating agency model. Under this model, at December 31, 2007, 2006 and 2005 for $4.1 billion, $4.4 billion, and $5.0 billion, respectively, of risk without these limits, risk in force is calculated at $475 million, $473 million, and $469 million, respectively. New risk written under this model for the years ended December 31, 2007, 2006 and 2005 was $2 million, $4 million and $51 million, respectively.

Joint Ventures. We have ownership interests in less than majority-owned joint ventures, principally Sherman and C-BASS. 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. Historically, C-BASS was principally engaged in the business of investing in the credit risk of subprime single-family residential mortgages. 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.

Recent Industry Developments and Outlook

Private mortgage insurance covers losses from homeowner defaults on residential first mortgage loans, reducing and, in some instances, eliminating the loss to the insured institution if the homeowner defaults. Private mortgage insurance expands home ownership opportunities by helping people purchase homes with less than 20% down payments. Private mortgage insurance also reduces the capital that financial institutions are required to hold against low down payment mortgages and facilitates the sale of low down payment mortgages in the secondary mortgage market, including to the GSEs. The GSEs purchase residential mortgages from mortgage lenders and investors as part of their governmental mandate to provide liquidity in the secondary mortgage market and we believe purchased over 50% of the mortgages underlying our flow new insurance written in 2007, 2006 and 2005. The GSEs also purchased approximately 53.6%, 37.4% and 37.3% of all the mortgage loans originated in the United States for the years ended December 31, 2007, 2006 and 2005, respectively, according to statistics reported by Inside Mortgage Finance, a mortgage industry publication. As a result, the private mortgage insurance industry in the United States is defined in part by the requirements and practices of the GSEs and other large mortgage investors, and these requirements and practices impact the operating results and financial performance of companies in the mortgage insurance industry.

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The U.S. residential mortgage market has historically experienced long-term growth. Growth in U.S. residential mortgage debt was particularly strong between 2001 and mid-2006. This strength was driven primarily by record home sales, strong home price appreciation and historically low interest rates. The private mortgage insurance industry experienced profitable insurance underwriting results during this period, when the labor market was also generally strong.

During the last several years of this period and continuing through 2007, the mortgage lending industry increasingly made home loans (1) at higher loan-to-value ratios and higher combined loan-to-value ratios, which take into account second mortgages as well as the loan-to-value ratios of first mortgages; (2) to individuals with higher risk credit profiles; and (3) based on less documentation and verification of information provided by the borrower.

Beginning in late 2006, job creation and the housing markets began slowing in certain parts of the country, with some areas experiencing home price declines. These and other conditions resulted in significant adverse developments for us and our industry that were manifested in the second half of 2007, including:

- increasing defaults by homeowners;
- increases across the country in the rate at which loans in default eventually resulted in a claim, with significant increases in large markets such as California and Florida; and
- increases in the average amount paid on a claim, driven by higher average insured loan sizes and the inability to mitigate losses through the sale of properties in some regions due to slowing home price appreciation or housing price declines.

As a result, mortgage lenders, financial institutions, and we and other private mortgage insurers began incurring significant credit losses, particularly with respect to loans with multiple high-risk characteristics referred to above. In 2007, compared to 2006, our losses incurred increased to $2,365 million from $614 million; our earnings fell to a net loss of $1,670 million compared to net earnings of $565 million; and our year-end default inventory increased to 107,120 loans from 78,628.

In early 2007, we changed our underwriting standards and ceased writing insurance on a limited set of loans even though these loans were approved under the GSEs automated underwriting guidelines. In the fourth quarter of 2007, we also decided to stop insuring loans included in home equity securitizations. Finally, in late 2007 and early 2008, we announced increases in our premium rates and further tightening of our underwriting standards, particularly as they apply to loans with low credit scores, with high loan-to-value ratios and with homes in regions that we view as being higher risk.

We believe that the recent losses experienced by mortgage lenders and financial institutions and concerns about residential mortgage credit quality that became evident in the second half of 2007 have led to increased interest in the credit protection that mortgage insurance affords. One measure of this increased interest is the increase in the private mortgage insurance penetration rate (the principal balance of loans insured by our industry during a period divided by the principal balance of all loans originated during that period) from approximately 8.5% in early 2006 to approximately 20% in the fourth quarter of 2007. In addition, our persistency rate, which is the percentage of insurance remaining in force from one year prior, increased to 76.4% at December 31, 2007, compared to 69.6% at December 31, 2006 and 61.3% at December 31, 2005. We believe that this increase was largely the result of the general upward trend in mortgage interest rates and the declining rate of home price appreciation in some markets and declines in housing values in other markets. We believe that these factors, along with the changes in our underwriting guidelines, will result in profitable books of new insurance written, beginning with our 2008 book.

We believe we have more than adequate resources to pay claims on our insurance in force, even in very high loss scenarios. However, we do not believe we can participate fully in the opportunities we see for the 2008 and subsequent books without additional capital. The additional capital we need is highly dependent on the volume of business we write in 2008 and 2009 and on the amount of our paid and incurred losses in those years. In view of our perceived opportunities to write profitable business, we may require capital beyond the amount raised in this offering. Additional capital could also be raised in the form of additional equity or debt securities that we could publicly offer or privately place. We could reduce our need for additional capital through our use of reinsurance. Reinsurance could cover a portion of our existing portfolio or new writings on either a quota share or an excess of loss basis and could be provided by third-party reinsurers or the capital markets.

Strengths and Strategies

Competitive Strengths

Leading Provider of Mortgage Insurance. Since 1995, we have been the largest private mortgage insurer based on primary new insurance written. We believe that, as the industry leader, we will have an advantage in capturing the attractive new business opportunities available in today s environment. See Recent Industry Developments and Outlook.

Industry-Leading Expense Ratio. We have the most efficient operating platform in the domestic mortgage insurance industry as measured by statutory expense ratios. For the nine months ended September 30, 2007, the latest date for which industry information is available, we had a statutory expense ratio of 15.2%, compared to a domestic industry competitor average of approximately 22.0% (calculated by dividing the aggregate statutory expenses of our peers by their aggregate net premiums written). We believe that our low expense ratio is a result of our efficient use of technology and the larger scale of our business compared to our competitors.

Customer Service and Technology Solutions. We believe customer service is a critical factor in a lender s decision to choose a private mortgage insurer. We established the mortgage insurance industry over 50 years ago and have built many long-term customer relationships by providing exceptional service. We believe our long-term relationships and history of providing value-added services, including proprietary technology solutions, to lenders are key reasons we have maintained our industry-leading market share for the past 13 years in this highly competitive industry.

Broad Lender and Geographic Diversification. We issued insurance coverage for more than 3,000 master policyholders in 2007. We believe our national sales force of approximately 90 representatives is the largest in the industry. In 2006, the latest date for which such information is available, for flow business we had the leading market share in 36 states and the second-highest market share in another 11 states. These factors have allowed us to develop a flow inforce book that is broadly dispersed geographically.

Strategies

Capitalize on Strong Demand for Mortgage Insurance. Private mortgage insurance penetration increased to approximately 14.5% of all mortgage originations during 2007, a 62.4% increase from 2006 levels, as the availability of mortgage insurance alternatives such as simultaneous second mortgages, or piggyback loans, significantly decreased. Mortgage insurance penetration has also benefited from increases in the volume of GSE mortgage purchases. In 2007, the GSEs purchased 54% of all loans originated, compared to 37% in 2006, due to a significant reduction in residential mortgage-backed securitizations originated by investment banking firms and a decline in originations of mortgages that do not conform with GSE guidelines. In addition, our persistency rate (percentage of insurance remaining in force from one year prior) was 76.4% at December 31, 2007, an increase from 69.6% at December 31, 2006 and 61.3% at December 31, 2005. We intend to capitalize on strong persistency and demand for mortgage insurance by being selective in underwriting new business for the foreseeable future.

Implement Underwriting and Pricing Changes to Improve Profitability. We recently announced a series of underwriting and pricing changes that we believe will significantly improve the credit quality and profitability of our new insurance written. The changes include raising minimum FICO scores, eliminating subprime business, imposing significant restrictions on reduced documentation business and lowering maximum loan-to-value ratios in all markets.

In addition, we have designated over 50 metropolitan areas across 20 states as higher-risk markets that are subject to even more stringent criteria. The higher-risk markets,

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including all of Arizona, California, Florida and Nevada, were designated based on historical performance as well as local economic and housing market trends.

Recent Developments

Certain Financial Data

Our new primary insurance written during the first two months of 2008 was approximately $13.3 billion, including $1.0 billion of bulk business. Given the underwriting changes that were effective in early March, we do not expect these results to be indicative of the level of our NIW for full-year 2008. Our primary insurance in force at February 29, 2008 was $218.9 billion, compared to $211.7 billion at December 31, 2007. At February 29, 2008, our persistency rate was 77.0%, compared to 76.4% at December 31, 2007. Our primary risk in force at February 29, 2008 was $57.5 billion, compared to $55.8 billion at December 31, 2007.

Our primary default inventory increased from 107,120 at December 31, 2007 to 114,835 at February 29, 2008. At February 28, 2007 our primary default inventory was 79,127, compared to 78,628 at December 31, 2006. Our net paid claims for the first two months of 2008 was approximately $245 million. We anticipate a higher paid claims run rate for the balance of 2008. As previously announced, we expect that our paid claims for 2008 will approximate $1.8 billion to $2.0 billion.

Sherman

MGIC is negotiating an agreement with Sherman under which MGIC will grant Sherman a number of call options to acquire MGIC s entire interest in Sherman exercisable for discrete period ending in January 2009. If any option is not exercised during its exercise period, that option and all subsequent options would expire. If Sherman exercises and closes all of the options, MGIC would receive funds from option exercises and distributions from Sherman totaling $242.5 million plus a cost of funds adjustment. If Sherman exercises and closes all the options, MGIC would waive its right to any contingent payment it was entitled to in connection with the September 2007 transaction in which Sherman s management acquired a portion of MGIC s interest in Sherman. We cannot assure you that MGIC and Sherman will enter into a definitive agreement under which MGIC will grant these options or that if an agreement is entered into that the terms will not materially vary from the terms described above or that Sherman will exercise any of the options.

Risk Factors

Please read Risk Factors and the other information in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.

Corporate Information

We are a Wisconsin corporation. Our principal office is located at MGIC Plaza, 250 East Kilbourn Avenue, Milwaukee, Wisconsin 53202 (telephone number (414) 347-6480).

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The Offering

The summary below describes some of the terms of the offering. For a more complete description of our common stock, see Description of Capital Stock.

Common stock offered	shares
Shares outstanding after this offering (1)	shares
Use of proceeds	We intend to use the net proceeds from this offering to increase the capital of MGIC in order to enable it to expand the volume of its new business and for our general corporate purposes.
New York Stock Exchange Symbol	MTG

(1) The number of shares outstanding after this offering is based on shares outstanding as of , 2008. If the underwriters exercise their option to purchase additional shares in the offering to which this prospectus relates in full, we will issue and sell an additional shares of our common stock.

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Summary Historical Financial Information

The following financial information as of and for each of the years in the three-year period ended December 31, 2007 is derived from our audited consolidated financial statements incorporated by reference herein. You should read the financial information presented below in conjunction with our consolidated financial statements and accompanying notes as well as the management s discussion and analysis of results of operations and financial condition, all of which are included in or incorporated by reference into this prospectus. See Where You Can Find More Information.

	Year Ended December 31		
	2007	**2006**	**2005**
Summary of Operations ($ thousands, except share and per share information)			
Revenues:			
Net premiums written	$ 1,345,794	$ 1,217,236	$ 1,252,310
Net premiums earned	$ 1,262,390	$ 1,187,409	1,238,692
Investment income, net	259,828	240,621	228,854
Realized investment gains (losses), net	142,195	(4,264)	14,857
Other revenue	28,793	45,403	44,127
Total revenues	1,693,206	1,469,169	1,526,530
Losses and expenses:			
Losses incurred, net	2,365,423	613,635	553,530
Change in premium deficiency reserves	1,210,841		
Underwriting and other expenses	309,610	290,858	275,416
Interest expense	41,986	39,348	41,091
Total losses and expenses	3,927,860	943,841	870,037
(Loss) income before tax and joint ventures	(2,234,654)	525,328	656,493
(Credit) provision for income tax	(833,977)	130,097	176,932
(Loss) income from joint ventures, net of tax	(269,341)	169,508	147,312
Net (loss) income	$ (1,670,018)	$ 564,739	$ 626,873
Weighted average common shares outstanding (in thousands)	81,294	84,950	92,443
Diluted (loss) earnings per share	$ (20.54)	$ 6.65	$ 6.78
Dividends per share	$ 0.775	$ 1.00	$ 0.525
Balance Sheet Data (at end of period) ($ thousands, except per share information):			
Total investments	$ 5,896,233	$ 5,252,422	$ 5,295,430
Total assets	7,716,361	6,621,671	6,357,569
Loss reserves	2,642,479	1,125,715	1,124,454

Premium deficiency reserves	1,210,841		
Short- and long-term debt	798,250	781,277	685,163
Shareholders equity	2,594,343	4,295,877	4,165,055
Book value per share	31.72	51.88	47.31
New insurance written ($ millions):			
Primary insurance	$ 76,806	$ 58,242	$ 61,503
Primary risk	19,632	15,937	16,836
Pool risk(1)	211	240	358
Insurance in force ($ millions):			
Direct primary insurance	$ 211,745	$ 176,531	$ 170,029
Direct primary risk	55,794	47,079	44,860
Direct pool risk(1)	2,800	3,063	2,909

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	Year Ended December 31		
	2007	**2006**	**2005**
Primary loans in default ratios:			
Policies in force	1,437,432	1,283,174	1,303,084
Loans in default	107,120	78,628	85,788
Percentage of loans in default	7.45%	6.13%	6.58%
Percentage of loans in default bulk	21.91%	14.87%	14.72%
Insurance operating ratios (GAAP)(2):			
Loss ratio	187.3%	51.7%	44.7%
Expense ratio	15.8%	17.0%	15.9%
Combined ratio	203.1%	68.7%	60.6%
Risk-to-capital ratio (statutory basis):			
Combined insurance companies	11.9:1	7.5:1	7.4:1

(1) Represents contractual aggregate loss limits and, for the years ended December 31, 2007, 2006 and 2005, for $4.1 billion, $4.4 billion and $5.0 billion, respectively, of risk without such limits, risk is calculated at $2 million, $4 million, and $51 million, respectively, for new risk written, and $475 million, $473 million and $469 million, respectively, for risk in force, the estimated amount that would credit enhance these loans to a AA level based on a rating agency model.

(2) The loss ratio (expressed as a percentage) is the ratio of the sum of incurred losses and loss adjustment expenses to net premiums earned. The expense ratio (expressed as a percentage) is the ratio of the combined insurance operations underwriting expenses to net premiums written.

RISK FACTORS

You should carefully consider each of the risks described below, together with all of the other information contained or incorporated by reference in this prospectus, before deciding to invest in shares of our common stock. If any of the following risks develop into actual events, our business, financial condition, results of operations or the market value of our common stock could be materially adversely affected and you may lose all or part of your investment. Some factors in this section are forward-looking statements. For a discussion regarding those statements, see Cautionary Statement Regarding Forward-Looking Statements.

Risks Related to Our Business

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 December 31, 2007, approximately 57.6% of our primary risk in force consisted of loans with loan-to-value ratios equal to or greater than 95%, 11.6% with FICO credit scores below 620, and 14.7% with limited underwriting, including limited borrower documentation.

As of December 31, 2007, approximately 5% of our primary risk in force written through the flow channel, and 53% 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 declining 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 $2.250 billion, the minimum requirement of 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. At December 31, 2007, our shareholders equity was $2.594 billion. We expect we will have a net loss in 2008, with the result that we expect our shareholders equity to decline. While our current forecast of our 2008 net loss would not reduce our 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 $2.250 billion. 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 December 31, 2007 due to market value adjustments and to the extent we pay dividends to our shareholders. At December 31, 2007, the modified duration of our fixed income portfolio was 4.8 years, which means that an instantaneous parallel shift in the yield curve of 100 basis points would result in a change of 4.8% (approximately $280 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. At our current annual dividend rate, approximately $8.2 million would be paid in dividends in 2008.

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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. 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:

- lenders and other investors holding mortgages in portfolio and self-insuring,

- 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,

- lenders using government mortgage insurance programs, including those of the Federal Housing Administration and the Veterans Administration, and

- 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.

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

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 and Fannie Mae announced that they were temporarily suspending the portion of their 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 their approval. Such remediation plans must be submitted within 90 days of the downgrade to Freddie Mac and within 30 days of the downgrade to Fannie Mae. There can be no assurance that Freddie Mac and Fannie Mae will continue the suspension of these eligibility requirements or that, if we are downgraded below Aa3/AA-, we will be able to submit acceptable remediation plans to them in a timely manner.

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 that is rated less than Aa3/AA- may be competitively disadvantaged.

The financial strength of MGIC, our principal mortgage insurance subsidiary, 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. Assuming MGIC does not raise additional capital to support its franchise, Fitch will downgrade MGIC s rating to AA- .

The financial strength of MGIC is rated AA- by Standard & Poor s Rating Services. In late January 2008, S&P placed MGIC on creditwatch with negative implications, which we understand means there is a greater than 50% chance of a downgrade. We understand that the financial strength rating of a mortgage insurer depends on factors beyond the adequacy of its capital to withstand very high loss scenarios. Because we do not believe the additional capital we are raising will influence S&P s view of our financial strength rating, we believe it is likely that at the conclusion of S&P s review MGIC s rating will be downgraded. The financial strength of MGIC is rated Aa2 by Moody s Investors Service, which is also reviewing MGIC s rating for possible downgrade.

Additional capital that we raise could dilute your ownership in our company and may cause the market price of our common shares to fall.

Any additional capital raised through the sale of equity beyond the shares in this offering will dilute your ownership percentage in our company and may decrease the market price of our common shares. Furthermore, the securities may have rights, preferences and privileges that are senior or otherwise superior to those of our common shares. Any additional financing we may need may not be available on terms favorable to us, or at all.

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:

PMI Mortgage Insurance Company,

Genworth Mortgage Insurance Corporation,

United Guaranty Residential Insurance Company,

Radian Guaranty Inc.,

Republic Mortgage Insurance Company,

Triad Guaranty Insurance Corporation, and

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:

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

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 December 31, 2007 persistency was at 76.4%, 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:

the level of home mortgage interest rates,

the health of the domestic economy as well as conditions in regional and local economies,

- housing affordability,
- population trends, including the rate of household formation,
- 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
- 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:

- 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,
- 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,
- 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,
- the terms on which mortgage insurance coverage can be canceled before reaching the cancellation thresholds established by law, and
- 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 Fannie Mae and Freddie Mac announced that they were temporarily suspending the portion of their 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 their approval. Such remediation plans must be submitted within 90 days of the downgrade to Freddie Mac and within 30 days of the downgrade to Fannie Mae. There can be no assurances that Freddie Mac and Fannie Mae will continue the suspension of these eligibility requirements or that, if we are downgraded below Aa3/AA-, 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. 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.

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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. Accordingly, 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.

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 expand its business and could increase the cost of funding that is obtained.

Risks Related to Our Common Stock

Our common stock may be subject to substantial price fluctuations due to a number of factors, and those fluctuations may prevent our shareholders from reselling our common stock at a profit.

The market price of our common stock could be subject to significant fluctuations and may decline. The following factors, among others, could affect our stock price:

- our historical operating and financial performance and how such performance compares to results anticipated by analysts or investors;
- market expectations, and changes in expectations, about our prospects, including future operating and financial performance measures, such as new insurance written, paid and incurred losses, and net income or net loss;
- speculation in the press or investment community;
- trends in our industry and the markets in which we operate;
- announcements of material transactions, such as acquisitions, strategic alliances, joint ventures or financings, by us, our major customers or our competitors;
- sales or the perception in the market of possible sales of a large number of shares of our common stock by our directors or officers; and
- domestic and international economic, legal and regulatory factors unrelated to our performance.

Stock markets in general have recently experienced relatively high levels of volatility. These broad market fluctuations may adversely affect the trading price of our common stock.

The market price of our common stock could be negatively affected by sales of substantial amounts of additional equity securities by us.

Sales by us of a substantial amount of equity securities following this offering, including additional shares of our common stock or equity or equity-linked securities senior to our common stock or convertible into our common stock, or the perception that these sales might occur, could cause the market price of our common stock to decline. Such a decline could make more costly or otherwise impair our ability to raise capital in this manner. We may issue additional equity securities in the future for a number of reasons, including to raise capital beyond the capital raised in this offering in order to finance our operations and business strategy. No prediction can be made as to the effect, if any, that future sales or issuance of shares of our common stock or other equity or equity-linked securities will have on the trading price of our common stock.

We cannot assure you that we will continue to pay dividends on our common stock or, if we do, that we will maintain our current dividend rate.

In October 2007 we decreased our quarterly dividend rate from $0.25 per share to $0.025 per share. The payment of future dividends is subject to the discretion of our board of directors and will depend on many factors, including our operating results, financial condition and capital position, and the ability of our operating subsidiaries to distribute cash to us. Our insurance subsidiaries, which have historically been an important source of funds for us, including funds to pay dividends, have dividend payment restrictions based on regulatory limitations. If we do not receive adequate distributions from our operating subsidiaries, then we may not be able to make or may have to reduce dividend payments on our common stock. See Price Range of Common Stock and Dividend Policy.

Provisions in our organizational documents, our rights agreement and state law could delay or prevent a change in control of our company, or cause a change in control of our company to have adverse regulatory consequences, any of which could adversely affect the price of our common stock.

Our articles of incorporation and amended and restated bylaws contain provisions that could have the effect of discouraging, delaying or making it more difficult for someone to acquire us through a tender offer, a proxy contest or otherwise, even though such an acquisition might be economically beneficial to our shareholders. These provisions include dividing our board of directors into three classes and specifying advance notice procedures for shareholders to nominate candidates for election as members of our board of directors and for shareholders to submit proposals for consideration at shareholders meetings. In addition, these provisions may make the removal of management more difficult, even in cases where removal would be favorable to the interests of our shareholders.

Each currently outstanding share of our common stock includes, and each share of our common stock issued in this offering will include, a common share purchase right. The rights are attached to and trade with the shares of common stock and currently are not exercisable. The rights will become exercisable if a person or group acquires, or announces an intention to acquire, 15% or more of our outstanding common stock except that for certain investment advisers and investment companies advised by such advisers, the designated percentage is 20% or more if certain conditions are met. The rights have some anti-takeover effects and generally will cause substantial dilution to a person or group that attempts to acquire control of us without conditioning the offer on either redemption of the rights or amendment of the rights to prevent this dilution, each of which requires our board s approval. The rights could have the effect of delaying, deferring or preventing a change of control. See Description of Capital Stock Common Share Purchase Rights.

We are subject to the Wisconsin Business Corporation Law, which contains several provisions that could have the effect of discouraging non-negotiated takeover proposals or impeding a business combination. These provisions include:

- requiring a supermajority vote of shareholders, in addition to any vote otherwise required, to approve business combinations not meeting statutory adequacy of price standards;

prohibiting some business combinations between us and one of our major shareholders for a period of three years, unless the combination was approved by our board of directors prior to the time the major shareholder became a 10% or greater beneficial owner of shares or under some other circumstances; and

limiting actions that we can take while a takeover offer for us is being made or after a takeover offer has been publicly announced.

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We are also subject to insurance regulations in Wisconsin and other states in which MGIC is a licensed insurer. Wisconsin s insurance regulations generally provide that no person may acquire control of us unless the transaction in which control is acquired has been approved by the Office of the Commissioner of Insurance of Wisconsin. The regulations provide for a rebuttable presumption of control when a person owns or has the right to vote more than 10% of the voting securities. In addition, the insurance regulations of other states in which MGIC is a licensed insurer require notification to the state s insurance department a specified time before a person acquires control of us. If such states disapprove the change of control, our licenses to conduct business in the disapproving states could be terminated.

The Office of the Comptroller of the Currency is the primary regulator of Credit One Bank, whose holding company was acquired in March 2005 by Sherman. Under the Change in Bank Control Act and the regulations of the Office of the Comptroller of the Currency, any person who acquires 25% or more of our voting securities would be deemed to control Credit One Bank (and, under certain circumstances, any person who acquires 10% or more of our voting securities might be deemed to control Credit One Bank) and would be required to seek the approval of the Office of the Comptroller of the Currency prior to achieving such ownership threshold.

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USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately $ million from our sale of shares of our common stock in this offering at an assumed public offering price of $ per share (which was the last reported sale price on , 2008), after deducting the underwriting discount and commissions and estimated offering expenses payable by us. If the underwriters exercise their option to purchase additional shares in full, we estimate that we will receive net proceeds of approximately $ million, after deducting the underwriting discount and commissions and estimated offering expenses payable by us. A $1.00 increase or decrease in the public offering price per share (assuming no change in the number of shares offered) would result in a corresponding increase or decrease in net proceeds of $ million. Separately, a 10% increase or decrease in the number of shares of our common stock sold in this offering, assuming a public offering price of $, would result in a corresponding increase or decrease in net proceeds of $ million.

We intend to use the net proceeds from this offering to increase the capital of MGIC in order to enable it to expand the volume of its new business and for our general corporate purposes.

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PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

Our common stock is listed on the New York Stock Exchange under symbol MTG. The following table shows the high and low sale prices for our common stock as reported on the New York Stock Exchange and the quarterly cash dividends declared per share for the periods indicated.

	High	Low	Dividends
2006			
First Quarter	$ 72.73	$ 62.01	$ 0.250
Second Quarter	$ 71.48	$ 63.05	$ 0.250
Third Quarter	$ 65.29	$ 53.96	$ 0.250
Fourth Quarter	$ 63.50	$ 56.22	$ 0.250
2007			
First Quarter	$ 68.96	$ 53.90	$ 0.250
Second Quarter	$ 66.46	$ 53.61	$ 0.250
Third Quarter	$ 57.94	$ 27.28	$ 0.250
Fourth Quarter	$ 36.71	$ 16.18	$ 0.025
2008			
First Quarter (Through March 12, 2008)	$ 22.72	$ 10.40	$ 0.025

The payment of future dividends is subject to the discretion of our board of directors and will depend on many factors, including our operating results, financial condition and capital position, and the ability of our operating subsidiaries to distribute cash to us. Our insurance subsidiaries are subject to statutory regulations as to the maintenance of policyholders surplus and payment of dividends. The maximum amount of dividends that the insurance subsidiaries may pay in any twelve-month period without regulatory approval by the Office of the Commissioner of Insurance of the State of Wisconsin is the lesser of the adjusted statutory net income or 10% of statutory policyholders surplus as of the preceding calendar year end. Adjusted statutory net income is defined for this purpose to be the greater of statutory net income, net of realized investment gains, for the calendar year preceding the date of the dividend or statutory net income, net of realized investment gains, for the three calendar years preceding the date of the dividend less dividends paid within the first two of the preceding three calendar years. Certain of our non-insurance subsidiaries also have requirements as to maintenance of net worth, which could also affect our ability to pay dividends.

MGIC is our principal source of dividend paying capacity. In 2007, MGIC paid dividends of $320 million. 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 2008 we will seek approval for MGIC to pay us an aggregate of $60 million of dividends. Our other insurance subsidiaries can pay $2.9 million of dividends to us without such regulatory approval.

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CAPITALIZATION

The following table sets forth our consolidated capitalization as of December 31, 2007 on an actual basis and on an as adjusted basis to give effect to this offering as if it had occurred on December 31, 2007. You should read the table in conjunction with our historical consolidated financial statements and the related notes incorporated by reference in this prospectus.

	At December 31, 2007	
	Actual	As Adjusted Offering(1)(2)
	(in thousands of dollars) (unaudited)	
Total long-term debt:		
Credit facility expiring in 2010	$ 300,000	
5.625% senior notes due 2011	200,000	
5.375% senior notes due 2015	300,000	
Total long-term debt	800,000	
Shareholders equity:		
Common stock, $1 par value (300,000,000 shares authorized, 123,067,426 and shares issued, and 81,793,185 and shares outstanding on an actual and as adjusted basis, respectively)	123,067	
Paid-in capital	316,649	
Treasury stock	(2,266,364)	
Accumulated other comprehensive income, net of tax	70,675	
Retained earnings	4,350,316	
Total shareholders equity	2,594,343	
Total capitalization	$ 3,394,343	

(1) Assumes that the underwriters will not exercise their option to purchase additional shares in this offering. If the underwriters exercise their option in this offering in full, then we will issue and sell an additional shares of our common stock in this offering, and we will use the additional net proceeds of $ million, after deducting the underwriting discount, to increase the capital of our subsidiaries to increase their underwriting capacity and for our general corporate purposes.

(2) A $1.00 increase or decrease in this public offering price per share (assuming no change in the number of shares offered) would result in a corresponding increase or decrease in total shareholders equity of $ million. Separately, a 10% increase or decrease in the number of shares of common stock sold in this offering, assuming a public offering price of $ per share (the last reported sale price of our common stock on , 2008), would result in a corresponding increase or decrease in total shareholders equity of $ million.

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SELECTED HISTORICAL FINANCIAL INFORMATION

The following financial information as of and for each of the years in the five-year period ended December 31, 2007 is derived from our audited consolidated financial statements. You should read the financial information presented below in conjunction with our consolidated financial statements and accompanying notes as well as the management s discussion and analysis of results of operations and financial condition, all of which are incorporated by reference into this prospectus. See Where You Can Find More Information.

	Year Ended December 31				
	2007	**2006**	**2005**	**2004**	**2003**
Summary of Operations ($ thousands, except share and per share information)					
Revenues:					
Net premiums written	$ 1,345,794	$ 1,217,236	$ 1,252,310	$ 1,305,417	$ 1,364,631
Net premiums earned	$ 1,262,390	$ 1,187,409	1,238,692	1,329,428	1,366,011
Investment income, net	259,828	240,621	228,854	215,053	202,881
Realized investment gains (losses), net	142,195	(4,264)	14,857	17,242	36,862
Other revenue	28,793	45,403	44,127	50,970	79,657
Total revenues	1,693,206	1,469,169	1,526,530	1,612,693	1,685,411
Losses and expenses:					
Losses incurred, net	2,365,423	613,635	553,530	700,999	766,028
Change in premium deficiency reserves	1,210,841				
Underwriting and other expenses	309,610	290,858	275,416	278,786	302,473
Interest expense	41,986	39,348	41,091	41,131	41,113
Total losses and expenses	3,927,860	943,841	870,037	1,020,916	1,109,614
(Loss) income before tax and joint ventures	(2,234,654)	525,328	656,493	591,777	575,797
(Credit) provision for income tax	(833,977)	130,097	176,932	159,348	146,027
(Loss) income from joint ventures, net of tax	(269,341)	169,508	147,312	120,757	64,109
Net (loss) income	$ (1,670,018)	$ 564,739	$ 626,873	$ 553,186	$ 493,879
Weighted average common shares outstanding (In thousands)	81,294	84,950	92,443	98,245	99,022
Diluted (loss) earnings per share	$ (20.54)	$ 6.65	$ 6.78	$ 5.63	$ 4.99

Dividends per share	$	0.775	$	1.00	$	0.525	$	0.2250	$	0.1125
Balance Sheet Data (at end of period) ($ thousands, except per share information):										
Total investments	$	5,896,233	$	5,252,422	$	5,295,430	$	5,418,988	$	5,067,427
Total assets		7,716,361		6,621,671		6,357,569		6,380,691		5,917,387
Loss reserves		2,642,479		1,125,715		1,124,454		1,185,594		1,061,788
Premium deficiency reserves		1,210,841								
Short- and long-term debt		798,250		781,277		685,163		639,303		599,680
Shareholders equity		2,594,343		4,295,877		4,165,055		4,143,639		3,796,902
Book value per share		31.72		51.88		47.31		43.05		38.58

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	Year Ended December 31				
	2007	2006	2005	2004	2003
New insurance written ($ millions):					
Primary insurance	$ 76,806	$ 58,242	$ 61,503	$ 62,902	$ 96,803
Primary risk	19,632	15,937	16,836	16,792	25,209
Pool risk(1)	211	240	358	208	862
Insurance in force ($ millions):					
Direct primary insurance	$ 211,745	$ 176,531	$ 170,029	$ 177,091	$ 189,632
Direct primary risk	55,794	47,079	44,860	45,981	48,658
Direct pool risk(1)	2,800	3,063	2,909	3,022	2,895
Primary loans in default ratios:					
Policies in force	1,437,432	1,283,174	1,303,084	1,413,678	1,551,331
Loans in default	107,120	78,628	85,788	85,487	86,372
Percentage of loans in default	7.45%	6.13%	6.58%	6.05%	5.57%
Percentage of loans in default bulk	21.91%	14.87%	14.72%	14.06%	11.80%
Insurance operating ratios (GAAP)(2):					
Loss ratio	187.3%	51.7%	44.7%	52.7%	56.1%
Expense ratio	15.8%	17.0%	15.9%	14.6%	14.1%
Combined ratio	203.1%	68.7%	60.6%	67.3%	70.2%
Risk-to-capital ratio (statutory basis):					
Combined insurance companies	11.9:1	7.5:1	7.4:1	7.9:1	9.4:1

(1) Represents contractual aggregate loss limits and, for the years ended December 31, 2007, 2006, 2005, 2004 and 2003, for $4.1 billion, $4.4 billion, $5.0 billion, $4.9 billion and $4.9 billion, respectively, of risk without such limits, risk is calculated at $2 million, $4 million, $51 million, $65 million and $192 million, respectively, for new risk written, and $475 million, $473 million, $469 million, $418 million and $353 million, respectively, for risk in force, the estimated amount that would credit enhance these loans to a AA level based on a rating agency model.

(2) The loss ratio (expressed as a percentage) is the ratio of the sum of incurred losses and loss adjustment expenses to net premiums earned. The expense ratio (expressed as a percentage) is the ratio of the combined insurance operations underwriting expenses to net premiums written.

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BUSINESS

General

Overview of the Private Mortgage Insurance Industry

Private mortgage insurance covers losses from homeowner defaults on residential first mortgage loans, reducing and, in some instances, eliminating the loss to the insured institution if the homeowner defaults. Private mortgage insurance expands home ownership opportunities by helping people purchase homes with less than 20% down payments. Private mortgage insurance also reduces the capital that financial institutions are required to hold against low down payment mortgages and facilitates the sale of low down payment mortgages in the secondary mortgage market, including to Fannie Mae and Freddie Mac. The GSEs purchase residential mortgages from mortgage lenders and investors as part of their governmental mandate to provide liquidity in the secondary mortgage market and we believe purchased over 50% of the mortgages underlying our flow new insurance written in 2007, 2006 and 2005. The GSEs also purchased approximately 53.6%, 37.4% and 37.3% of all the mortgage loans originated in the U.S. for the years ended December 31, 2007, 2006 and 2005, respectively, according to statistics reported by Inside Mortgage Finance, a mortgage industry publication. As a result, the private mortgage insurance industry in the U.S. is defined in part by the requirements and practices of the GSEs and other large mortgage investors, and these requirements and practices impact the operating results and financial performance of companies in the mortgage insurance industry.

The U.S. residential mortgage market has historically experienced long-term growth. Growth in U.S. residential mortgage debt was particularly strong between 2001 and mid-2006. This strength was driven primarily by record home sales, strong home price appreciation and historically low interest rates. The private mortgage insurance industry experienced profitable insurance underwriting results during this period, when the labor market was also strong except for pockets of weakness in areas affected by downsizings in the auto industry.

During the last several years of this period and continuing through 2007, the mortgage lending industry increasingly made home loans (1) at higher loan-to-value ratios and higher combined loan-to-value ratios, which take into account second mortgages as well as the loan-to-value ratios of first mortgages; (2) to individuals with higher risk credit profiles; and (3) based on less documentation and verification of information provided by the borrower.

Beginning in late 2006, job creation and the housing markets began slowing in certain parts of the country, with some areas experiencing home price declines. These and other conditions resulted in significant adverse developments for us and our industry that were manifested in the second half of 2007, including:

- increasing defaults by homeowners;
- increases across the country in the rate at which loans in default eventually resulted in a claim, with significant increases in large markets such as California and Florida; and
- increases in the average amount paid on a claim, driven by higher average insured loan sizes and the inability to mitigate losses through the sale of properties in some regions due to slowing home price appreciation or housing price declines.

As a result, mortgage lenders, financial institutions and we and other private mortgage insurers began incurring significant credit losses, particularly with respect to loans with multiple high-risk characteristics referred to above. In 2007, compared to 2006, our losses incurred increased to $2,365 million from $614 million, our earnings fell to a net loss of $1,670 million compared to net earnings of $565 million and our year-end default inventory increased to

107,120 loans from 78,628.

In early 2007, we changed our underwriting standards and ceased writing insurance on a limited set of loans even though these loans were approved under the GSEs automated underwriting guidelines. In the fourth quarter of 2007, we also decided to stop insuring loans included in home equity securitizations. Finally, in late 2007 and early 2008, we announced increases in our premium rates and further tightening of our underwriting standards, particularly as they apply to loans with low credit scores, with high loan-to-value ratios and with homes in regions that we view as being higher risk.

We believe that the recent losses experienced by mortgage lenders and financial institutions and concerns about residential mortgage credit quality that became evident in the second half of 2007 have led to increased interest in the credit protection that mortgage insurance affords. One measure of this increased interest is the increase in the private mortgage insurance penetration rate (the principal balance of loans insured by our industry during a period divided by the principal balance of all loans originated during that period) from approximately 8.5% in early 2006 to approximately 20% in the fourth quarter of 2007. In addition, our persistency rate, which is the percentage of insurance remaining in force from one year prior, increased to 76.4% at December 31, 2007, compared to 69.6% at December 31, 2006 and 61.3% at December 31, 2005. We believe that this increase was largely the result of the general upward trend in mortgage interest rates and the declining rate of home price appreciation in some markets and declines in housing values in other markets. We believe that these factors, along with the changes in our underwriting guidelines, will result in profitable books of new insurance written, beginning with our 2008 book.

Overview of Our Company

We are a holding company, and through MGIC we are the leading provider of private mortgage insurance in the United States. In 2007, our net premiums written exceeded $1.3 billion, our new insurance written was $76.8 billion and our insurance in force as of December 31, 2007 was $211.7 billion. MGIC is licensed in all 50 states of the United States, the District of Columbia, Puerto Rico and Guam. One of MGIC s subsidiaries is licensed in Australia and another is in the process of becoming licensed in Canada.

In addition to mortgage insurance on first liens, we, through our subsidiaries, provide lenders with various underwriting and other services and products related to home mortgage lending.

We are a Wisconsin corporation. Our principal office is located at MGIC Plaza, 250 East Kilbourn Avenue, Milwaukee, Wisconsin 53202 (telephone number (414) 347-6480).

We have ownership interests in less than majority-owned joint ventures and investments, principally Sherman and C-BASS. 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. Historically, C-BASS was principally engaged in the business of investing in the credit risk of subprime single-family residential mortgages. 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.

As used in this annual report, we, us and our refer to MGIC Investment Corporation s consolidated operations. Sherman, C-BASS and our other less than majority-owned joint ventures and investments are not consolidated with us for financial reporting purposes, are not our subsidiaries and are not included in the terms we, us and our. The description 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.

Our revenues and losses may be materially affected by the risk factors applicable to us that are included in this prospectus. Sherman and its businesses may be materially affected by the risk factors applicable to them. These risk factors are an integral part of this prospectus. These factors may also cause actual results to differ materially from the results contemplated by forward looking statements that we may make. We are not undertaking any obligation to update any forward looking statements or other statements we may make even though these statements may be affected by events or circumstances occurring after the forward looking statements or other statements were made. No investor should rely on the fact that such statements are current at any time other than the time at which this prospectus was filed with the Securities and Exchange Commission.

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The MGIC Book

Types of Product

In general, there are two principal types of private mortgage insurance: primary and pool.

Primary Insurance. Primary insurance provides mortgage default protection on individual loans and covers unpaid loan principal, delinquent interest and certain expenses associated with the default and subsequent foreclosure (collectively, the claim amount). In addition to the loan principal, the claim amount is affected by the mortgage note rate and the time necessary to complete the foreclosure process. The insurer generally pays the coverage percentage of the claim amount specified in the primary policy, but has the option to pay 100% of the claim amount and acquire title to the property. Primary insurance is generally written on first mortgage loans secured by owner occupied single-family homes, which are one-to-four family homes and condominiums. Primary insurance is also written on first liens secured by non-owner occupied single-family homes, which are referred to in the home mortgage lending industry as investor loans, and on vacation or second homes. Primary coverage can be used on any type of residential mortgage loan instrument approved by the mortgage insurer.

References in this document to amounts of insurance written or in force, risk written or in force and other historical data related to our insurance refer only to direct (before giving effect to reinsurance) primary insurance, unless otherwise indicated. References in this document to primary insurance include insurance written in bulk transactions that is supplemental to mortgage insurance written in connection with the origination of the loan or that reduces a lender s credit risk to less than 51% of the value of the property. For more than the past five years, in reports by private mortgage insurers to the trade association for the private mortgage insurance industry have classified mortgage insurance that is supplemental to other mortgage insurance or that reduces a lender s credit risk to less than 51% of the value of the property is classified as pool insurance. The trade association classification is used by members of the private mortgage insurance industry in reports to Inside Mortgage Finance, a mortgage industry publication that computes and publishes primary market share information.

Primary insurance may be written on a flow basis, in which loans are insured in individual, loan-by-loan transactions, or may be written on a bulk basis, in which each loan in a portfolio of loans is individually insured in a single, bulk transaction. New insurance written on a flow basis was $69.0 billion in 2007 compared to $39.3 billion in 2006 and $40.1 billion in 2005. New insurance written for bulk transactions was $7.8 billion in 2007 compared to $18.9 billion for 2006 and $21.4 billion for 2005. As noted in - Bulk Transactions below, in the fourth quarter of 2007, we decided to stop writing the portion of our bulk business that insures mortgage loans included in home equity (or private label) securitizations, which are the terms the market uses to refer to securitizations sponsored by firms besides the GSEs or Ginnie Mae, such as Wall Street investment banks. We refer to portfolios of loans we insured through the bulk channel that we knew would serve as collateral in a home equity securitization as Wall Street bulk transactions. We will, however, continue to insure loans on a bulk basis when we believe that the loans will be sold to a GSE or retained by the lender. The following table shows, on a direct basis, primary insurance in force (the unpaid principal balance of insured loans as reflected in our records) and primary risk in force (the coverage percentage applied to the unpaid principal balance), for insurance that has been written by MGIC (the MGIC Book) as of the dates indicated:

<u>Primary Insurance and Risk In Force</u>

			December 31,		
	2007	**2006**	**2005**	**2004**	**2003**
			(In millions)		

Direct Primary Insurance In Force	$ 211,745	$ 176,531	$ 170,029	$ 177,091	$ 189,632
Direct Primary Risk In Force	$ 55,794	$ 47,079	$ 44,860	$ 45,981	$ 48,658

The lender determines the coverage percentage we provide. For loans sold by lenders to Fannie Mae or Freddie Mac, the coverage percentage must comply with the requirements established by the particular GSE to which the loan is delivered.

We charge higher premium rates for higher coverage percentages. Higher coverage percentages generally result in increased severity, which is the amount paid on a claim, and lower coverage percentages generally result in decreased severity. In accordance with GAAP for the mortgage insurance industry, reserves for losses are only established for loans in default. Because relatively few defaults typically occur in the early years of a book of business, the higher premium revenue from deeper coverage is generally recognized before any higher losses resulting from that deeper coverage may be incurred. See - Exposure to Catastrophic Loss; Defaults; Claims; Loss Mitigation Claims. Our premium pricing methodology generally targets substantially similar returns on capital regardless of the depth of coverage. However, there can be no assurance that changes in the level of premium rates adequately reflect the risks associated with changes in the depth of coverage.

In partnership with mortgage insurers, in recent years the GSEs have offered programs under which, on delivery of an insured loan to a GSE, the primary coverage was restructured to an initial shallow tier of coverage followed by a second tier that was subject to an overall loss limit, and compensation may have been paid to the GSE reflecting services or other benefits realized by the mortgage insurer from the coverage conversion. Lenders receive guaranty fee relief from the GSEs on mortgages delivered with these restructured coverage percentages.

Mortgage insurance coverage cannot be terminated by the insurer, except for non-payment of premium, and remains renewable at the option of the insured lender, generally at the renewal rate fixed when the loan was initially insured. Lenders may cancel insurance written on a flow basis at any time at their option or because of mortgage repayment, which may be accelerated because of the refinancing of mortgages. In the case of a loan purchased by Freddie Mac or Fannie Mae, a borrower meeting certain conditions may require the mortgage servicer to cancel insurance upon the borrower s request when the principal balance of the loan is 80% or less of the home s current value.

Under the federal Homeowners Protection Act, or HPA, a borrower has the right to stop paying premiums for private mortgage insurance on loans closed after July 28, 1999 secured by a property comprised of one dwelling unit that is the borrower s primary residence when certain loan-to-value ratio thresholds determined by the value of the home at loan origination and other requirements are met. Generally, the loan-to-value ratios used in this document represent the ratio, expressed as a percentage, of the dollar amount of the first mortgage loan to the value of the property at the time the loan became insured and do not reflect subsequent housing price appreciation or depreciation. In general, under the HPA a borrower may stop making mortgage insurance payments when the loan-to-value ratio is scheduled to reach 80% (based on the loan s amortization schedule) or actually reaches 80% if the borrower so requests and if certain requirements relating to the borrower s payment history, the absence of junior liens and a decline in the property s value since origination are satisfied. In addition, a borrower s obligation to make payments for private mortgage insurance generally terminates regardless of whether a borrower so requests when the loan-to-value ratio (based on the loan s amortization schedule) reaches 78% of the unpaid principal balance of the mortgage and the borrower is or later becomes current in his mortgage payments. A borrower s right to stop paying for private mortgage insurance applies only to borrower paid mortgage insurance. The HPA requires that lenders give borrowers certain notices with regard to the cancellation of private mortgage insurance.

In addition, some states require that mortgage servicers periodically notify borrowers of the circumstances in which they may request a mortgage servicer to cancel private mortgage insurance and some states allow the borrower to require the mortgage servicer to cancel private mortgage insurance under certain circumstances or require the mortgage servicer to cancel private mortgage insurance automatically in certain circumstances.

Coverage tends to continue in areas experiencing economic contraction and housing price depreciation. The persistency of coverage in these areas coupled with cancellation of coverage in areas experiencing economic expansion and housing price appreciation can increase the percentage of an insurer s portfolio comprised of loans in economically weak areas. This development can also occur during periods of heavy mortgage refinancing because refinanced loans in areas of economic expansion experiencing property value

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appreciation are less likely to require mortgage insurance at the time of refinancing, while refinanced loans in economically weak areas not experiencing property value appreciation are more likely to require mortgage insurance at the time of refinancing or not qualify for refinancing at all and, thus, remain subject to the mortgage insurance coverage.

The percentage of primary risk written with respect to loans representing refinances was 23.2% in 2007 compared to 32.0% in 2006 and 39.5% in 2005. When a borrower refinances a mortgage loan insured by us by paying it off in full with the proceeds of a new mortgage that is also insured by us, the insurance on that existing mortgage is cancelled, and insurance on the new mortgage is considered to be new primary insurance written. Therefore, continuation of our coverage from a refinanced loan to a new loan results in both a cancellation of insurance and new insurance written.

In addition to varying with the coverage percentage, our premium rates for insurance written through the flow channel vary depending upon the perceived risk of a claim on the insured loan and, thus, take into account, among other things, the loan-to-value ratio, whether the loan is a fixed payment loan or a non-fixed payment loan (a non-fixed payment loan is referred to in the home mortgage lending industry as an adjustable rate mortgage or ARM), the mortgage term, whether the property is the borrower s primary residence and, for A-, subprime loans and certain other loans, the location of the borrower s credit score within a range of credit scores. In general, we classify as A– loans that have FICO scores between 575 and 619 and we classify as subprime loans that have FICO credit scores of less than 575. A FICO score is a score based on a borrower s credit history generated by a model developed by Fair Isaac and Company.

Premium rates cannot be changed after the issuance of coverage. Because we believe that over the long term each region of the United States is subject to similar factors affecting risk of loss on insurance written, we generally utilize a nationally based, rather than a regional or local, premium rate policy for insurance written through the flow channel.

The borrower s mortgage loan instrument may require the borrower to pay the mortgage insurance premium. Our industry refers to loans having this requirement as borrower paid. If the borrower is not required to pay the premium, then the premium is paid by the lender, who may recover the premium through an increase in the note rate on the mortgage or higher origination fees. Our industry refers to loans in which the premium is paid by the lender as lender paid. Most of our primary insurance in force and new insurance written, other than through bulk transactions, is borrower paid mortgage insurance. New insurance written through bulk transactions is generally paid by the securitization vehicles or investors that hold the mortgages, and the mortgage note rate generally does not reflect the premium for the mortgage insurance. In February 2008, Freddie Mac and Fannie Mae informed us and the rest of our industry that they are reviewing the appropriateness of all mortgage insurers lender-paid insurance premium rates.

Under the monthly premium plan, the borrower or lender pays us a monthly premium payment to provide only one month of coverage, rather than one year of coverage provided by the annual premium plan. Under the annual premium plan, the initial premium is paid to us in advance, and we earn and recognize the premium over the next twelve months of coverage, with annual renewal premiums paid in advance thereafter and earned over the subsequent twelve months of coverage. The annual premiums can be paid with either a higher premium rate for the initial year of coverage and lower premium rates for the renewal years, or with premium rates which are equal for the initial year and subsequent renewal years. Under the single premium plan, the borrower or lender pays us a single payment covering a specified term exceeding twelve months.

During each of the last three years, the monthly premium plan represented more than 90% of our new insurance written. The annual and single premium plans represented the remaining new insurance written.

Pool Insurance. Pool insurance is generally used as an additional credit enhancement for certain secondary market mortgage transactions. Pool insurance generally covers the loss on a defaulted mortgage loan which exceeds the claim payment under the primary coverage, if primary insurance is required on that mortgage loan, as well as the total loss on a defaulted mortgage loan which did not require primary insurance. Pool insurance usually has a stated aggregate loss limit and may also have a deductible under which no losses are paid by the insurer until losses exceed the deductible.

New pool risk written was $211 million in 2007, $240 million in 2006 and $358 million in 2005. New pool risk written during these years was primarily comprised of risk associated with loans delivered to Freddie Mac and Fannie Mae (agency pool insurance), loans insured through the bulk channel, loans delivered to the Federal Home Loan Banks under their mortgage purchase programs and loans made under state housing finance programs. Direct pool risk in force at December 31, 2007 was $2.8 billion compared to $3.1 billion and $2.9 billion at December 31, 2006 and 2005, respectively. The risk amounts referred to above 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 these loans to a AA level based on a rating agency model. Under this model, at December 31, 2007, 2006 and 2005 for $4.1 billion, $4.4 billion, and $5.0 billion, respectively, of risk without these limits, risk in force is calculated at $475 million, $473 million, and $469 million, respectively. New risk written, under this model, for the years ended December 31, 2007, 2006 and 2005 was $2 million, $4 million and $51 million, respectively.

The settlement of a nationwide class action alleging that MGIC violated the Real Estate Settlement Procedures Act, or RESPA, by providing agency pool insurance and entering into other transactions with lenders that were not properly priced became final in October 2003. In a February 1, 1999 circular addressed to all mortgage guaranty insurers licensed in New York, the New York Department of Insurance advised that significantly underpriced agency pool insurance would violate the provisions of New York insurance law that prohibit mortgage guaranty insurers from providing lenders with inducements to obtain mortgage guaranty business. In a January 31, 2000 letter addressed to all mortgage guaranty insurers licensed in Illinois, the Illinois Department of Insurance advised that providing pool insurance at a discounted or below market premium in return for the referral of primary mortgage insurance would violate Illinois law.

In February 2008, Freddie Mac and Fannie Mae informed us and the rest of our industry that they are reviewing the appropriateness of all mortgage insurers criteria and underwriting requirements for pool insurance on mortgages to the extent that they do not meet such insurer s published underwriting guidelines.

Risk Sharing Arrangements. We participate in risk sharing arrangements with the GSEs and captive reinsurance arrangements with subsidiaries of certain mortgage lenders that reinsure a portion of the risk on loans originated or serviced by the lender which have MGIC primary insurance. During the nine months ended September 30, 2007 and the year ended December 31, 2006, about 47.8% and 47.5%, respectively, of our new insurance written on a flow basis was subject to risk sharing arrangements. The percentage of new insurance written for 2007 covered by these arrangements is shown only for the nine months ended September 30, 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.

In a February 1, 1999 circular addressed to all mortgage insurers licensed in New York, the New York Department of Insurance said that it was in the process of developing guidelines that would articulate the parameters under which captive mortgage reinsurance is permissible under New York insurance law. These guidelines, which were to ensure that the reinsurance constituted a legitimate transfer of risk and were fair and equitable to the parties, have not yet been issued. As discussed under the Risk Factor titled We are subject to the risk of private litigation and regulatory proceedings, we provided information regarding captive mortgage reinsurance arrangements to the New York Department of Insurance and the Minnesota Department of Commerce. The complaint in the RESPA litigation described in - Pool Insurance alleged that MGIC pays inflated captive reinsurance premiums in violation of RESPA. Since December 2006, class action litigation was separately brought against a number of large lenders alleging that their captive mortgage reinsurance arrangements violated RESPA. We are not a defendant in any of these cases and we believe no other mortgage insurer is a defendant.

During the three years ended December 31, 2007, 2006 and 2005, MGIC ceded $155.3 million, $117.4 million and $105.2 million of written premium in captive reinsurance arrangements. 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%.

Under our captive agreements a captive is 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. The deposited 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 December 31, 2007 exceeded approximately $630 million.

In February 2008 Freddie Mac and Fannie Mae announced that, effective on and after June 1, 2008, Freddie Mac- and Fannie Mae-approved private mortgage insurers, which include MGIC, may not cede new risk if the gross risk or gross premium ceded to captive reinsurers is greater than 25%. Freddie Mac and Fannie Mae stated that they made this change to allow mortgage insurers to retain more insurance premiums to pay current claims and re-build their capital bases. We have begun discussions with our customers whose captive arrangements would be effected by these new requirements.

External Reinsurance. When we reinsure a portion of our risk, we make an upfront payment or cede a portion of our premiums in return for a reinsurer agreeing to indemnify us for its share of losses incurred. Although reinsuring against possible loan losses does not discharge us from liability to a policyholder, it can reduce the amount of capital we are required to retain against potential future losses for rating agency and insurance regulatory purposes. During 2006 and 2005, we entered into three separate reinsurance arrangements with separate unaffiliated special purpose reinsurance companies, under which we ceded approximately $130 million of risk in force, of which approximately $83.2 million remained in force at December 31, 2007. At December 31, 2007, disregarding reinsurance under captive structures, less than 2% of our insurance in force was externally reinsured. While for many years we have not ceded significant risk under reinsurance arrangements other than through captive structures, we may do so in the future.

Bulk Transactions. In bulk transactions, the individual loans in the insured portfolio are generally insured to specified levels of coverage. The premium in a bulk transaction, which is negotiated with the securitizer or other owner of the loans, is based on the mortgage insurer s evaluation of the overall risk of the insured loans included in the transaction and is often a composite rate applied to all of the loans in the transaction.

In general, the loans insured by us in bulk transactions consist of A- loans; subprime loans; cash out refinances that exceed the standard underwriting requirements of the GSEs; jumbo loans; and loans with reduced underwriting documentation. A jumbo loan has an unpaid principal balance that exceeds the conforming loan limit. The conforming loan limit is the maximum unpaid principal amount of a mortgage loan that can be purchased by the GSEs. The conforming loan limit is subject to annual adjustment, and for mortgages covering a home with one dwelling unit was $417,000 for 2006, 2007 and early 2008; this amount was temporarily increased to up to $729,500 in the most costly communities in early 2008, subject to the GSEs taking the steps necessary to implement this increase.

Approximately 69% of our bulk loan risk in force at December 31, 2007 had FICO credit scores of at least 620, compared to 65% at December 31, 2006. Approximately 20% of our bulk loan risk in force at December 31, 2007 had A- FICO credit scores compared to 22% at December 31, 2006, and approximately 11% had subprime credit scores at December 31, 2007 compared to 13% at December 31, 2006. Most of the subprime loans insured by us in 2007 were insured in bulk transactions. More than 30% of our bulk loan risk in force at December 31, 2007 and 2006 had LTV ratios of 80% and below.

During the second quarter of 2012, we and Windsor Ohio formed Blackhawk Midstream LLC, or Blackhawk. We are the manager of Blackhawk and have a 50% ownership interest. Blackhawk coordinates gathering, compression, processing and marketing activities for us in connection with the development of our Utica Shale acreage. During the year ended December 31, 2013, we paid $0.7 million in cash calls to Blackhawk. On January 28, 2014, Blackhawk closed on the sale of its equity interest in Ohio Gathering Company, LLC and Ohio Condensate Company, LLC for a purchase price of $190.0 million, of which $14.3 million was placed in escrow. We received $84.8 million in net proceeds from this transaction.

Panther Drilling Systems, LLC, or Panther, performs directional drilling services for the Company. During the year ended December 31, 2013, we were billed $12.6 million for these services and, at December 31, 2013, we owed Panther approximately $1.8 million.

Redback Directional Services, LLC, or Redback, provides coil tubing and flow back services for the Company. Redback billed us $0.1 million for these services during the year ended December 31, 2013, and no amounts were owed to Redback at December 31, 2013.

Effective April 1, 2010, we entered into an area of mutual interest agreement with Windsor Niobrara LLC, or Windsor Niobrara, to jointly acquire oil and gas leases in Northwest Colorado for the purpose of exploring, exploiting and producing oil and gas from the Niobrara Formation. The agreement provides that each party must offer the other party the right to participate in such acquisitions on a 50/50 basis. The parties also agreed, subject to certain exceptions, to share third-party costs and expenses in proportion to their respective participating interests and pay certain other fees as provided in the agreement. In connection with this agreement, we and Windsor Niobrara also entered into a development agreement, effective as of April 1, 2010, pursuant to which we and Windsor Niobrara agreed to jointly develop the contract area, and we agreed to act as the operator under the terms of a joint operating agreement. As operator, we are responsible for daily operations, monthly operation billings and monthly revenue disbursements for these properties. For the year ended December 31, 2013, we billed Windsor Niobrara $0.9 million and, at December 31, 2013, Windsor Niobrara owed us an immaterial amount for these services.

Windsor Ohio participated with us in the acquisition of certain leasehold interests in acreage located in the Utica Shale in Ohio. We are the operator of this acreage in the Utica Shale. As operator, we are responsible for daily operations, monthly operation billings and monthly revenue disbursements for these properties. For the year ended December 31, 2013, we billed Windsor Ohio approximately $73.4 million for these services. At December 31, 2013, Windsor Ohio owed us approximately $1.6 million for these services.

In February 2013, we entered into a purchase and sale agreement with Windsor Ohio pursuant to which Windsor Ohio agreed to sell to us approximately 22,000 net acres representing 100% of its right, title and interest in and to certain leasehold interests in the Utica Shale in Eastern Ohio for approximately $220.4 million, subject to certain adjustments. This transaction, which closed on February 15, 2013, excluded Windsor Ohio s interest in 14 existing wells and 16 proposed future wells together with certain acreage surrounding those wells. Through this transaction, we acquired an additional approximately 16.2% interest in our Utica Shale leases, increasing our working interest in the acreage to 93.8%. All of the acreage included in this transaction was nonproducing at the time of the acquisition and we are the operator of all of this acreage, subject to existing development and operating agreements between the parties. Pending the completion of title review after the closing, approximately $33.6 million of the purchase price was placed in an escrow account. In May 2013, the escrow accounts for both this acquisition and a prior acquisition with Windsor Ohio that was completed in December 2012 were terminated, and an aggregate of $10.0 million was returned to us. The $77.5 million balance of the escrow accounts was disbursed to Windsor Ohio based on the results of title review. The transaction was approved by a special committee of our board of directors, which engaged independent counsel and financial advisors to assist with its review.

Mr. Mike Liddell, our former Chairman of the Board and one of our named executive officers during 2013, is the operating member and/or an officer of each of Windsor Niobrara, Windsor Ohio, Windsor Midstream, Athena, Panther, Redback, Timber Wolf, Bison and Caliber and holds a 10% participation interest in Windsor Ohio and a direct or indirect contingent participation or profits interest ranging from 2.5% to 10.0% in Windsor Niobrara, Athena, Redback, Caliber, Windsor Midsteam, Muskie, Bison, Panther and Grizzly Oil Sands Inc., none of which interests are dilutive to the interests, if any, that we hold in such entities.

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Proposal to Approve Our 2014 Executive Annual Incentive Compensation Plan

(Item 2 on the Proxy Card)

We are asking you to approve our 2014 Executive Annual Incentive Compensation Plan, which we refer to as the Annual Incentive Plan or the Plan, as set forth in Appendix A to this proxy statement.

Purpose of our 2014 Executive Annual Incentive Compensation Plan

The compensation committee recommended the approval of, and the board of directors approved, the Annual Incentive Compensation Plan on April 1, 2014. Approval of the Plan is intended to enable the Company to provide an incentive to executive officers and other selected employees of the Company to contribute to the growth, profitability and increased value of the Company by providing incentive compensation that qualifies as performance-based compensation for purposes of Section 162(m) of the Internal Revenue Code. If other requirements are met, performance-based compensation may be deductible by us for federal income tax purposes without regard to the $1 million deduction limitation imposed by Section 162(m) of the Code.

Summary of our 2014 Executive Annual Incentive Compensation Plan

The following summary of the Annual Incentive Compensation Plan is qualified in its entirety by reference to the full text of the Plan, which is attached as Appendix A to this proxy statement.

Eligibility. Our executive officers and selected employees and those of our subsidiaries are eligible to receive awards under the Plan.

Awards. The Plan provides for awards of incentive compensation that are contingent on the attainment of specific performance targets. The Administrator will establish the performance targets for each award and the performance period during which the performance is to be measured, which will generally be our fiscal year. Performance targets may include a minimum level of performance below which no payment will be made, levels of performance at which specified percentages of the award will be paid, and a maximum level of performance above which no additional award will be paid. The Administrator must adopt the performance targets and criteria for awards granted to executive officers subject to the limits of Section 162(m) of the Code, whom we refer to as Covered Employees, no later than the earlier of:

- 90 days after the beginning of the performance period, or
- the time when 25% of the performance period has elapsed.

In addition, award amounts to be paid to any Covered Employee for any one year may not exceed the lesser of: (i) 300% of base salary at the time the Award is established, or (ii) $6 million dollars. Individual awards may be subject to lesser limits as specified in the discretion of the compensation committee.

Performance Factors. Performance targets for each award will be based on pre-established performance factors, which may include any or all of the following, individually or in combination:

revenue;

net sales;

operating income;

earnings before all or any of interest, taxes, depreciation and/or amortization (EBIT, EBITA, or EBITDA);

growth of oil and natural gas production;

growth of estimated or proved reserves;

capital efficiency based on revenue per barrel of oil equivalent (BOE) produced;

lease operating expenses;

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general and administrative expenses;

net cash provided by operating activities or other cash flow measurements;

working capital and components thereof;

return on equity or average stockholders equity;

return on assets;

market share;

net or gross sales measured by product line, territory, one or more customers, or other category;

stock price;

earnings per share;

earnings from continuing operations;

net worth;

credit rating;

levels of expense, cost or liability by category, operating unit, or any other delineation; or

any increase or decrease of one or more of the foregoing over a specified period.

These performance factors may relate to the performance of the Company or the performance of a business unit, product line, territory, or any combination of these. Performance targets for employees who are not executive officers may also be based on other additional objective or subjective performance criteria established by the Administrator.

Limitation on Discretion. The Administrator may at any time establish additional conditions and terms of payment of awards, including additional financial, strategic or individual goals, which may be objective or subjective. The Administrator may exercise negative discretion to reduce the amount of an award, but may not adjust upwards the amount payable pursuant to any award to a Covered Employee, nor may it waive the achievement of the performance target requirement for any Covered Employee, except in the case of the death or disability of the participant or a change in control of the Company.

Payment of Awards. Unless the Administrator determines otherwise, all payments in respect of awards granted under the Plan will be made in cash, and will be paid within a reasonable period after the end of the performance period. In the case of awards designed not to be subject to Code Section 409A as deferred compensation, payments will be made not later than the latest date at which such awards will still qualify for the Section 409A exemption for short-term deferrals. Unless the Administrator provides otherwise, a participant must be employed by us on the date that awards are paid to receive an award payment, except in the case of death or disability. If a participant dies or becomes disabled during a performance period, the participant (or the participant s beneficiary) will receive a pro-rated award payment at the same time all other awards are paid for the performance period. In the event of a change in control, each named executive officer will be paid the target award amount (mid-point of any specified range of potential award payment amount) based on the assumption that the performance target was attained at the target level (mid-point of any specified range of performance targets) for the entire performance period. The target award amount will be paid within ten (10) days following the consummation of the change in control transaction.

Certification of Performance. Before payment of any award to a Covered Employee our Compensation Committee must certify in writing that the performance target requirement for such award was met.

Term. The Plan, if approved is effective as of April 1, 2014 with respect to the fiscal year performance period beginning January 1, 2014. The Administrator may at any terminate the Plan in whole or in part.

Amendment of the Plan. The Administrator may at any time amend the Plan, subject to approval by our stockholders to the extent stockholder approval is necessary to continue to qualify as performance-based compensation under Section 162(m) of the Code.

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Administration of the Plan. Our Board has delegated its authority to administer the Plan to the Company s compensation committee, to whom we refer as the Administrator. The compensation committee is expected to consist solely of two or more outside directors within the meaning of Section 162(m) of the Code. The Administrator has the authority to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including (but not limited to) the following:

to interpret the Plan and any award;

to prescribe rules relating to the Plan;

to determine the persons to receive awards;

to determine the terms, conditions, restrictions and performance criteria, including performance factors and performance targets, relating to any award;

to accelerate an award that is designed not to be deferred compensation subject to Code Section 409A (after the attainment of the applicable performance target or targets);

to adjust performance targets in recognition of specified events such as unusual or non-recurring events affecting us or our financial statements, including certain asset dispositions, cessation of operations resulting from a natural disaster, or in response to changes in applicable laws, regulations, or accounting principles as specified in the Plan or in the performance targets established for any performance period;

to waive restrictive conditions for an award (but not performance targets); and

to make any other determinations that may be necessary or advisable for administration of the Plan.

Stockholder Approval. No award will be paid under the Plan if our stockholders do not approve the Plan, which approval will include the performance factors and the maximum award limit. If our stockholders approve the Plan, we must submit the Plan to our stockholders for re-approval on or before the first stockholder meeting that occurs in the fifth year following this current approval of the Plan.

Federal Income Tax Consequences of the Plan

Under federal income tax laws currently in effect:

Participants in the Plan will recognize in the year of payment ordinary income equal to the award amount, which is subject to applicable income and employment tax withholding by us (including the additional tax of 0.9% imposed on wages in excess of $200,000 under Section 3101(b)(2) of the Code). Under current regulations and guidance, we expect that awards under the Plan will not be subject to Section 409A of the Code, which imposes restrictions on nonqualified deferred compensation arrangements and penalizes participants for violating these restrictions.

Section 162(m). Section 162(m) of the Code imposes a $1 million annual limit on the amount of compensation that we may deduct for federal income tax purposes with respect to our chief executive officer and each of our three highest compensated officers (other than our chief executive officer and our chief financial officer), subject to certain exceptions. The Plan is intended to qualify for the exception under Section 162(m) for performance-based compensation. We expect that we will be entitled to a tax deduction in connection with the payment of each award under the Plan in an amount equal to the ordinary income realized by the participant without regard to the $1 million annual deduction limitation under Section 162(m) of the Code, if the stockholders approve the Plan and the other requirements of Section 162(m) are satisfied. However, the Administrator may award compensation that is or may become non-deductible, and expects to consider whether it believes such grants are in the best interest of the Company, balancing tax efficiency with long-term strategic objectives. While the Administrator is mindful of the limitation imposed by Section 162(m) of the Code, it also recognizes that facts and circumstances may render compliance with those limitations inappropriate, at odds with the best interests of the Company or out of step with the then-prevailing competitive market conditions. In such event, the Administrator s priority will be determining what is in the best interest of the Company and its stockholders rather than compliance with the technical limitations imposed by the Code.

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New Plan Benefits

Awards under the Plan are based on actual future performance. As a result, the amounts that will be paid under the Plan are not currently determinable. In no event, however, may any Covered Employee receive award amounts for any one year exceeding the lesser of: (i) 300% of base salary at the time the Award is established, or (ii) $6 million dollars.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS VOTING FOR THE APPROVAL OF OUR 2014 EXECUTIVE ANNUAL INCENTIVE COMPENSATION PLAN.

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Proposal to Approve, on an Advisory Basis, the Company s Executive Compensation

(Item 3 on the Proxy Card)

In accordance with Section 14A of the Exchange Act, our board of directors is providing our stockholders with a non-binding advisory vote on the Company s executive compensation as reported in this proxy statement, or say on pay vote. The Company s stockholders are being asked to vote on the following resolution:

RESOLVED, that the compensation paid to the Company s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby approved.

This vote is advisory, which means that the vote on executive compensation is not binding on the Company, our board of directors or the Compensation Committee. While the vote on executive compensation is solely advisory in nature, our board of directors and the Compensation Committee will review and consider the say on pay voting results when making future decisions regarding our executive compensation program.

Stockholders are encouraged to carefully review the Compensation Discussion and Analysis section of this proxy statement, which discusses in detail the Company s compensation policy and compensation arrangements which the Company believes are appropriate and reasonably consistent with market practice and with the long-term interests of the Company and its stockholders. In furtherance of the Company s goals and objectives, the Compensation Committee, among other things, ensures that the Company s executive compensation arrangements (i) do not incentivize executives to take unnecessary risks, (ii) do not include excessive change in control provisions and (iii) include long-term vesting provisions in the restricted stock grants to encourage executives to focus on long-term performance.

We have determined that our stockholders should cast an advisory vote on the compensation of our named executive officers on an annual basis. Unless this policy changes, the next advisory vote on the compensation of our named executive officers will be at the 2015 annual meeting of stockholders.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR THIS PROPOSAL 3.

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Proposal to Ratify the Appointment of Our Independent Auditors

(Item 4 on the Proxy Card)

What am I voting on?

You are voting on a proposal to ratify the appointment of Grant Thornton LLP as our independent auditors for fiscal year 2014. The Audit Committee has appointed Grant Thornton to serve as independent auditors.

What services do the independent auditors provide?

Audit services of Grant Thornton for fiscal 2013 included an audit of our consolidated financial statements and services related to periodic filings made with the SEC. Additionally, Grant Thornton provided certain services related to the consolidated quarterly reports and annual and other periodic reports, registration statements and comfort letters and other services as described below.

How much were the independent auditors paid in 2012 and 2013?

Grant Thornton s fees for professional services totaled $647,806 for 2012 and $707,235 for 2013. Grant Thornton s fees for professional services included the following:

Audit Fees aggregate fees for audit services, which relate to the fiscal year consolidated audit, quarterly reviews, registration statements, comfort letters, statutory and regulatory audits and accounting consultations were $564,866 in 2012 and $652,835 in 2013.

Audit-Related Fees aggregate fees for audit-related services, consisting of audits in connection with proposed or consummated dispositions, benefit plan audits, other subsidiary audits, special reports, and accounting consultations, were $82,940 in 2012 and $54,400 in 2013.

Tax and All Other Fees there were no tax or other fees for products or services provided by Grant Thornton in addition to the services described above in 2012 or 2013.

Does the Audit Committee approve the services provided by Grant Thornton?

It is our audit committee s policy to pre-approve all audit, audit related and permissible non-audit services rendered to us by our independent auditor. Consistent with such policy, all of the fees listed above that we incurred for services rendered by Grant Thornton LLP in fiscal 2012 and 2013 were pre-approved by our audit committee. No non-audit services were provided to us by Grant Thornton in 2012 or 2013.

Will a representative of Grant Thornton LLP be present at the meeting?

Yes, one or more representatives of Grant Thornton will be present at the meeting. The representatives will have an opportunity to make a statement if they desire and will be available to respond to appropriate questions from the stockholders.

What vote is required to approve this proposal?

Stockholder ratification of the appointment of our independent auditors is not required by the Company s bylaws or otherwise. However, we are submitting this proposal to the stockholders as a matter of good corporate practice. Approval of this proposal requires the affirmative vote of a majority of the votes cast on the proposal. If the appointment of Grant Thornton is not ratified, the Audit Committee will reconsider the appointment. Even if the appointment is ratified, the Audit Committee in its discretion may direct the appointment of a different independent audit firm at any time during the year if it is determined that such change would be in best interests of the Company and its stockholders.

Has Grant Thornton LLP always served as Gulfport s independent auditors?

Grant Thornton has served as our independent auditors since 2005.

What does the board of directors recommend?

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON LLP AS THE COMPANY S INDEPENDENT AUDITORS FOR THE YEAR 2014.

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Solicitation by Board; Expenses of Solicitation

Our board of directors has sent you this proxy statement. Our directors, officers and employees may solicit proxies by mail, by telephone or in person. Those persons will receive no additional compensation for any solicitation activities. We will request banking institutions, brokerage firms, custodians, trustees, nominees and fiduciaries to forward solicitation materials to the beneficial owners of common stock held of record by those entities, and we will, upon the request of those record holders, reimburse reasonable forwarding expenses. We will pay the costs of preparing, printing, assembling and mailing the proxy material used in the solicitation of proxies.

Submission of Future Stockholder Proposals

Under SEC rules, a stockholder who intends to present a proposal, including with respect to the nomination of directors, at the 2014 Annual Meeting of Stockholders and who wishes the proposal to be included in the proxy statement for that meeting must submit the proposal in writing to our Corporate Secretary. The proposal must be received no later than January 8, 2015.

Stockholders who wish to propose a matter for action at the 2015 Annual Meeting, including with respect to the nomination of directors, but who do not wish to have the proposal or nomination included in the proxy statement, must notify the Company in writing of the information required by the provisions of our by-laws dealing with stockholder proposals. The notice must be delivered to our Corporate Secretary between February 12, 2015 and March 14, 2015. You can obtain a copy of our by-laws by writing the Corporate Secretary at the address below, or via the Internet at *www.gulfportenergy.com* under our Corporate Governance caption.

All written proposals should be directed to Michael G. Moore, our Corporate Secretary at Gulfport Energy Corporation, 14313 North May Avenue, Suite 100, Oklahoma City, Oklahoma 73134.

The board of directors is responsible for selecting and recommending director candidates and will consider nominees recommended by stockholders. If you wish to have the board of directors consider a nominee for director, you must send a written notice to our Corporate Secretary at the address provided above and include the information required by our bylaws and discussed beginning on page 10 of this proxy statement.

Availability of Form 10-K and Annual Report to Stockholders

SEC rules require us to provide an Annual Report to stockholders who receive this proxy statement. **Additional copies of the Annual Report, along with copies of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, including the financial statements and the financial statement schedules, are available without charge to stockholders upon written request to Director of Investor Relations, Gulfport Energy Corporation, 14313 North May Avenue, Suite 100, Oklahoma City, Oklahoma 73134 or via the Internet at www.gulfportenergy.com.** We will furnish the exhibits to our Annual Report on Form 10-K upon payment of our copying and mailing expenses.

Householding

The SEC permits a single set of annual reports and proxy statements to be sent to any household at which two or more stockholders reside if they appear to be members of the same family. Each stockholder continues to receive a separate proxy card. This procedure, referred to as householding, reduces the volume of duplicate information stockholders receive and reduces our mailing and printing expenses.

If you would like to receive your own set of the annual report and proxy statement this year or in future years, follow the instructions described below. Similarly, if you share an address with another Gulfport stockholder and together both of you would like to receive in the future only a single annual report and proxy statement, follow these instructions:

If your shares of our common stock are registered in your own name, please contact our transfer agent, Computershare Trust Company, N.A., and inform them of your request by calling their toll-free number: (800) 962-4284 or by mail: Computershare Trust Company, N.A., 250 Royall Street, Canton, MA 02021.

If a broker or other nominee holds your shares, please contact your broker or nominee.

Other Matters

The board of directors does not intend to present any other items of business other than those stated in the Notice of Annual Meeting of Stockholders. If other matters are properly brought before the meeting, the persons named as your proxies will vote the shares represented by it in accordance with their best judgment. Discretionary authority to vote on other matters is included in the proxy.

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Appendix A

GULFPORT ENERGY CORPORATION

2014 EXECUTIVE ANNUAL INCENTIVE COMPENSATION PLAN

1. Purpose.

The purpose of Gulfport Energy, Inc. 2014 Executive Annual Incentive Compensation Plan is to provide an incentive to executive officers and other selected employees of the Company to contribute to the growth, profitability and increased value of the Company by providing incentive compensation that qualifies as performance based compensation within the meaning of Section 162(m) of the Code. The Plan is designed to focus on achievement of annual objectives and goals, determined at the beginning of each calendar year. Participants may earn a pre-determined percentage of base salary for the achievement of specified goals. The payout opportunity varies for performance above and below the pre-established target performance levels.

2. Definitions.

Except as otherwise expressly provided or the context otherwise requires, financial and accounting terms are used as defined for purposes of, and will be determined in accordance with, United States generally accepted accounting principles, as from time to time in effect, as applied and included in the consolidated financial statements of the Company, prepared in the ordinary course of business. The following terms, as used herein, will have the following meanings:

(a) Administrator means the Board or a committee thereof to which the Board has delegated authority to administer the Plan in accordance with Section 3.

(b) Award means an incentive compensation award, granted pursuant to the Plan, which is contingent upon the attainment of specific Performance Targets during the Performance Period with respect to a preestablished Performance Factor.

(c) Beneficial Owner has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular Person, such Person will be deemed to have beneficial ownership of all securities that such Person has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time, the satisfaction of performance goals, or both. The terms **Beneficially Owns** and **Beneficially Owned** have a corresponding meaning.

(d) Board means the Board of Directors of the Company.

(e) Change in Control means:

(i) The direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company to any Person;

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(ii) The Incumbent Directors cease for any reason to constitute a majority of the Board;

(iii) The adoption of a plan relating to the liquidation or dissolution of the Company; or

(iv) The consummation of any transaction (including, without limitation, any merger, consolidation or exchange) that results in any Person becoming the Beneficial Owner of more than 50% of the voting power of the Company.

(v) The foregoing notwithstanding, a transaction will not constitute a Change in Control if (i) its sole purpose is to change the state of the Company s incorporation or to create a holding company that will be owned in substantially the same proportions by the Persons who held the Company s securities immediately before such transaction; (ii) it constitutes an initial public offering or a secondary public offering that results in any security of the Company being listed (or approved for listing) on any securities exchange or designated (or approved for designation) as a security on an interdealer quotation system; or (iii) solely because 50% or more of the total voting power of the Company s then outstanding securities is acquired by (A) a trustee or other fiduciary holding securities under one or more employee benefit plans of the Company or any affiliate, or (B) any company that, immediately before such acquisition, is owned directly or indirectly by the stockholders of the Company in substantially the same proportion as their ownership of stock in the Company immediately before such acquisition.

(f) Code means the Internal Revenue Code of 1986, as amended.

(g) Company means, collectively, Gulfport Energy Corporation and its subsidiaries and their respective successors.

(h) Covered Employee has the meaning set forth in Section 162(m)(3) of the Code.

(i) Effective Date means the date of adoption specified in Section 8.

(j) Exchange Act means the Securities Exchange Act of 1934, as amended.

(k) Executive Officer means an officer of the Company who is an executive officer within the meaning of Rule 3b-7 promulgated under the Exchange Act.

(l) Incumbent Directors means individuals who, on the Effective Date, constitute the Board, provided that any individual becoming a Director subsequent to the Effective Date whose election or nomination for election to the Board was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for Director without objection to such nomination) will be an Incumbent Director. No individual initially elected or nominated as a Director of the Company as a result of an actual or threatened election contest with respect to Directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board will be an Incumbent Director.

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(m) Participant means an officer or employee of the Company who is, pursuant to Section 4 of the Plan, selected to participate herein.

(n) Performance Factors means the criteria and objectives, determined by the Administrator, used to measure the Performance Targets which must be met during the applicable Performance Period as a condition of the Participant s receipt of payment with respect to an Award. Performance Factors may include any or all of the following: revenue; net sales; operating income; earnings before all or any of interest expense, taxes, depreciation and/or amortization (EBIT , EBITA or EBITDA); growth of oil and natural gas production; growth of estimated or proved reserves; capital efficiency based on revenue per barrel of oil equivalent (BOE) produced; lease operating expenses; general and administrative expenses; net cash provided by operating activities or other cash flow measurements; working capital and components thereof; return on equity or average stockholders equity; return on assets; market share; sales (net or gross) measured by product line, territory, customer(s), or other category; stock price; earnings per share; earnings from continuing operations; net worth; credit rating; levels of expense, cost or liability by category, operating unit or any other delineation; or any increase or decrease of one or more of the foregoing over a specified period. Such Performance Factors may relate to the performance of the Company, a business unit, product line, territory, or any combination thereof. With respect to Participants who are not Executive Officers, Performance Factors may also include such objective or subjective performance goals as the Administrator may, from time to time, establish. Subject to Section 5(b) and Section 6(b) hereof, the Administrator will have the sole discretion to determine whether, or to what extent, Performance Factors are achieved.

(o) Performance Period means the Company s fiscal year or such other period as may be specified by the Administrator.

(p) Performance Target means the specific performance goals applicable to any Performance Factor specified by the Administrator that are established to determine the amount payable to a Participant as a condition of the Participant s receipt of payment with respect to an Award. Such performance goals may be established in absolute terms, as objectives relative to performance in prior periods, as an objective compared to the performance of one or more comparable company or an index covering multiple companies, or otherwise as the Administrator may determine.

(q) Person means an individual, partnership, limited liability company, corporation, association, joint stock company, trust, joint venture, labor organization, unincorporated organization, governmental entity or political subdivision thereof, or any other entity, and includes a syndicate or group as such terms are used in Section 13(d)(3) or 14(d)(2) of the Exchange Act.

(r) Plan means Gulfport Energy Corporation 2014 Executive Annual Incentive Compensation Plan.

(s) Publicly Held Corporation means a corporation issuing any class of equity securities required to be registered under Section 12 of the Exchange Act and will have the meaning set forth in Section 162(m)(2) of the Code.

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3. Administration.

The Plan will be administered by the Administrator. The Administrator will have the authority in its sole discretion, subject to and not inconsistent with the express provisions of the Plan, to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including, without limitation, the authority to grant Awards; to determine the persons to whom and the time or times at which Awards will be granted; to determine the terms, conditions, restrictions and performance criteria, including Performance Factors and Performance Targets, relating to any Award; to determine whether, to what extent, and under what circumstances an Award may be settled, canceled, forfeited, or surrendered; to specify and make adjustments in the Performance Targets in recognition of unusual or non-recurring events affecting the Company or the financial statements of the Company, or in response to changes in applicable laws, regulations, or accounting principles; to construe and interpret the Plan and any Award; to prescribe, amend and rescind rules and regulations relating to the Plan; to determine the terms and provisions of Awards; and to make all other determinations deemed necessary or advisable for the administration of the Plan.

During any period that the Company is a Publicly Held Corporation, the Board will delegate its authority to administer the Plan to a compensation committee. If the Board delegates its responsibility with respect to the administration of the Plan to a compensation committee thereof, the Administrator will consist of two or more persons each of whom will be an outside director within the meaning of Section 162(m) of the Code. All decisions, determinations and interpretations of the Administrator will be final and binding on all persons, including the Company and the Participant (or any person claiming any rights under the Plan from or through any Participant).

The Administrator and any members thereof will be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or employee of the Company, the Company s independent certified public accountants, consultants or any other agent assisting in the administration of the Plan. The Administrator, any members of the compensation committee and any officer or employee of the Company acting at the direction or on behalf of the Administrator will not be personally liable for any action or determination taken or made in good faith with respect to the Plan, and will, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action or determination.

4. Eligibility.

Awards may be granted to Participants in the sole discretion of the Administrator. In determining the persons to whom Awards may be granted, the Performance Factors and Performance Targets relating to each Award, the Administrator will take into account such factors as the Administrator deems relevant in connection with accomplishing the purposes of the Plan.

5. Terms of Awards.
Awards granted pursuant to the Plan may be communicated to Participants in such form as the Administrator from time to time approves and the terms and conditions of such Awards will be set forth therein.

(a) In General. The Administrator will specify with respect to a Performance Period the Performance Factors and the Performance Targets applicable to each Award. Performance Targets may include a level of performance below which no payment will be made and levels of performance at which specified percentages of the Award will be paid as well as a maximum level of performance above which no additional Award will be paid.

(b) Time and Form of Payment. Unless otherwise determined by the Administrator, all payments in respect of Awards granted under this Plan will be made, in cash, within a reasonable period after the end of the Performance Period, but in the case of Awards designed not to be deferred compensation within the meaning of Section 409A of the Code, not later than the latest date at which such Awards will still qualify for the exemption from Section 409A applicable to short-term deferrals. In the case of Participants who are Covered Employees, unless otherwise determined by the Administrator, such payments will be made only in accordance with the requirements of Section 6 after achievement of the Performance Targets has been certified by the Administrator.

6. Awards to Covered Employees.
(a) Additional Conditions. If the Administrator determines at the time an Award is established for a Participant that the Company is a Publicly Held Corporation and such Participant is, or may be as of the end of the tax year for which the Company would claim a tax deduction in connection with such Award, a Covered Employee, then the Administrator will provide that this Section 6 is applicable to such Award under such terms as the Administrator may determine.

(b) Establishment of Performance Criteria and Performance Targets. If an Award is subject to this Section 6, then the payment of cash pursuant thereto will be subject to the Company achieving the applicable Performance Target for the applicable Performance Year set by the Administrator within the time prescribed by Section 162(m) of the Code or the regulations thereunder in order for the level to be considered pre-established. Performance Factors and Performance Targets will be considered pre-established if they are adopted by the Administrator not later than the earlier of (i) 90 days after the commencement of the Performance Period and (ii) the time when 25 percent of the Performance Period has elapsed.

(c) Required Adjustments. To preserve the intended incentives and benefits of an Award based on revenue, net sales, operating income, EBIT, EBITA, or EBITDA, growth of oil and natural gas production, growth of estimated or proved reserves, capital efficiency based on revenue per barrel of oil equivalent (BOE) produced, lease operating expenses, general and administrative expenses, cash flow, return on equity or average stockholders equity, return on assets, sales (net or gross), earnings per share, earnings from continuing operations, levels of expense, cost or liability, the Administrator will apply the objective formula or standard with respect to the applicable Performance Target in a manner that will eliminate the effects of the following:

(i) the gain, loss, income or expense resulting from changes in accounting principles that become effective during the Performance Period;

(ii) the gain, loss, income or expense reported by the Company in its public filings with respect to the performance period that are extraordinary or unusual in nature or infrequent in occurrence,

(iii) the gains or losses resulting from, and the direct expenses incurred in connection with, any business, leasehold or well disposed of by the Company or any of its subsidiaries during the Performance Period to the extent that such dispositions were not included in the operating budget for the Performance Period for which the Performance Target was established;

(iv) the Performance Target and the actual results will be reduced by the pro forma gain, loss, income or expense of any business, leasehold or well disposed of by the Company or any of its subsidiaries during the Performance Period to the extent that such dispositions were not included in the operating budget for the Performance Period for which the Performance Target was established; and

(v) the Performance Target will be reduced in the event of a the cessation of operations of any business, leasehold or well as a result of natural disaster by an amount equal to the lost pro forma gain, loss, income or expense attributable to such business, leasehold or well during such period of ceased operations based upon the operating budget for the Performance Period for which the Performance Target was established.

The Administrator may, however, provide at the time the Performance Targets are established that one or more of the foregoing adjustments will not be made as to a specific Award. In addition, the Administrator may determine at the time the Performance Targets are established that other adjustments will apply to the objective formula or standard with respect to the applicable Performance Target to take into account, in whole or in part, in any manner specified by the Administrator, any one or more of the following with respect to the Performance Period: (1) gain or loss from all or certain claims and/or litigation and all or certain insurance recoveries relating to claims or litigation, (2) the impact of impairment of tangible or intangible assets, (3) the impact of restructuring activities, including but not limited to reductions in force, that are reported in the Company s public filings covering the Performance Period and (4) the impact of investments or acquisitions made during the year or, to the extent provided by the Administrator, any prior year. Each of the adjustments described in this Section 6(c) may relate to the Company as a whole or any part of the Company s business or operations, as determined by the Administrator at the time the Performance Targets are established. The adjustments are to be determined in accordance with generally accepted accounting principles and standards, unless another objective method of measurement is designated by the Administrator. In addition to the foregoing, the Administrator will adjust any Performance Factors, Performance Targets or other features of an Award that relate to or are wholly or partially based on the number of, or the value of, any shares, to reflect a change in the Company s capitalization, such as a stock split or dividend, or a corporate transaction, such as a merger, consolidation, separation (including a spin-off or other distribution of stock or property), or a reorganization of the Company.

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(d) Discretionary Adjustments. The Administrator may, in its discretion, at any time establish (and, once established, rescind, waive or amend) additional conditions and terms of payment of Awards (including but not limited to the achievement of other financial, strategic or individual goals, which may be objective or subjective) as it may deem desirable in carrying out the purposes of the Plan and may take into account such other factors as it deems appropriate in administering any aspect of the Plan, including to reduce the amount of such an Award at any time prior to payment based on such criteria as it may determine, including but not limited to individual merit and the attainment of specified levels of one or any combination of the Performance Factors. Notwithstanding any contrary provision of this Plan, the Administrator may not adjust upwards the amount payable pursuant to any Award subject to this Section 6, nor may it waive the achievement of the Performance Target requirement contained in Section 6(b), except in the case of the death or disability of the Participant or a change in control of the Company.

(e) Certification. Prior to the payment of any Award subject to this Section 6, the Administrator must certify in writing that the Performance Target requirement applicable to such Award was met.

(f) Additional Restrictions. The Administrator will have the power to impose such other restrictions on Awards subject to this Section 6 as it may deem necessary or appropriate to ensure that such Awards satisfy all requirements for performance-based compensation within the meaning of Section 162(m)(4)(C) of the Code, the regulations promulgated thereunder, and any successors thereto.

(g) Maximum Individual Bonus. Notwithstanding any other provision hereof, no Covered Employee may receive a payment attributable to an Award under the Plan for any one year in excess of the lesser of: (i) 300% of base salary at the time the Award is established, or (ii) $6 million dollars. The foregoing limit will be subject to adjustments consistent with Section 6(h) in the event of acceleration or deferral.

(h) Express Authority (and Limitations on Authority) to Change Terms and Conditions of Awards; Acceleration or Deferral of Payment. Without limiting the Administrator s authority under other provisions of the Plan, but subject to any express limitations of the Plan and compliance with Section 162(m), the Administrator will have the authority to accelerate an Award that is designed not to be deferred compensation within the meaning of Section 409A of the Code (after the attainment of the applicable Performance Target(s)) and to waive restrictive conditions for an Award (including any forfeiture conditions, but not Performance Target(s)), in such circumstances as the Administrator deems appropriate. In the case of any acceleration of an Award after the attainment of the applicable Performance Target(s), the amount payable will be discounted to its present value using an interest rate equal to Moody s Average Corporate Bond Yield for the month preceding the month in which such acceleration occurs (or such other rate of interest that is deemed to constitute a reasonable rate of interest for purposes of Section 162(m)). In addition, and notwithstanding anything elsewhere in the Plan to the contrary, the Administrator will have the authority to provide under the terms of an Award that payment or vesting will be accelerated upon the death or disability of a Participant, a change in control of the Company, or, after the attainment of the applicable Performance Target(s) upon termination of the Participant s employment without cause or as a constructive termination, as and in the manner provided by the Administrator, and subject to such provision not causing the Award or the Plan to fail to satisfy the requirements for performance-based compensation under Section 162(m) generally.

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7. General Provisions.

(a) Compliance with Legal Requirements. The Plan and the granting and payment of Awards, and the other obligations of the Company under the Plan, will be subject to all applicable federal and state laws, rules and regulations, and to such approvals by any regulatory or governmental agency as may be required.

(b) Stockholder Approval. No Award may be paid under this Plan prior to the date that stockholders of the Company receive disclosure of and approve the material terms of the Performance Factors under the Plan. As and to the extent provided under Section 162(m) of the Code, the material terms of the Performance Factors under the Plan must be disclosed to and reapproved by the Company s stockholders no later than the first stockholder meeting that occurs in the fifth year following the year in which the stockholders previously approved the Performance Factors under the Plan.

(c) Nontransferability. Awards will not be transferable by a Participant except upon the Participant s death following the end of the Performance Period but prior to the date payment is made, in which case the Award will be payable to the Participant s designated beneficiary or, if no beneficiary has been designated, transferable by will or the laws of descent and distribution.

(d) No Right to Continued Employment. Nothing in the Plan or in any Award granted pursuant hereto will confer upon any Participant the right to continue in the employ of the Company or to be entitled to any remuneration or benefits not set forth in the Plan or to interfere with or limit in any way the right of the Company to terminate such Participant s employment.

(e) Withholding Taxes. Where a Participant or other person is entitled to receive a payment pursuant to an Award hereunder, the Company will have the right to withhold or otherwise require the Participant or such other person to pay to the Company the amount of any taxes that the Company may be required to withhold before delivery to such Participant or other person of such payment.

(f) Amendment, Termination and Duration of the Plan. The Administrator may at any time and from time to time alter, amend, suspend, or terminate the Plan in whole or in part; provided that, no amendment that requires stockholder approval in order for the Plan to continue to comply with Code Section 162(m) will be effective unless the same is approved by the requisite vote of the stockholders of the Company.

(g) Participant Rights. No Participant will have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment for Participants.

(h) Termination of Employment. The amount of any Award to a Covered Employee or an Executive Officer will be forfeited if the Participant s employment terminates for any reason prior to the date the Administrator certifies in writing that the Performance Target requirement applicable to such Award was met. Unless otherwise provided by the Administrator in connection with specified terminations of employment, if the employment of a Participant who is not a Covered Employee or an Executive Officer terminates for any reason prior to the end of a Performance Period prior to the payment of any Award for any reason other than death or disability, no Award will be payable to such Participant for that Performance Period. A Participant whose termination is due to his or her death or disability will be entitled to receive a prorated Award based on the number of days he or she was employed by the Company during the applicable Performance Period, such Award to be paid to such Participant (or such Participant s beneficiary, in the case of such Participant s death) at the same time such Award would have been paid if such Participant remained employed.

(i) <u>Change in Control.</u> In the event of a Change in Control, each Participant will be paid the target Award amount based on the assumption that the Performance Target was attained at the target level for the entire Performance Period. The target Award amount will be paid within ten (10) days following the consummation (closing date) of the Change in Control transaction. For purposes of clarity, references to target Award and target level mean the mid-point of any specified range of potential Award payment amounts or Performance Targets.

(j) <u>Unfunded Status of Awards.</u> The Plan is intended to constitute an unfunded plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award will give any such Participant any rights that are greater than those of a general creditor of the Company.

(k) <u>Governing Law.</u> The Plan and all determinations made and actions taken pursuant hereto will be governed by the laws of the State of Delaware without giving effect to the conflict of laws principles thereof.

(l) <u>Effective Date.</u> The Plan will take effect upon its adoption by the Board for the fiscal year performance period beginning January 1, 2014; provided, however, that prior to the payment of any amount pursuant to any Award, the Plan will be subject to the requisite approval of the stockholders of the Company in order to comply with Section 162(m) of the Code. In the absence of such approval, the Plan (and any Awards made pursuant to the Plan prior to the date of such approval) will be null and void.

(m) <u>Beneficiary.</u> A Participant may file with the Administrator a written designation of a beneficiary on such form as may be prescribed by the Administrator and may, from time to time, amend or revoke such designation. If no designated beneficiary survives the Participant and an Award is payable to the Participant s beneficiary pursuant to Section 7(b), the executor or administrator of the Participant s estate will be deemed to be the grantee s beneficiary.

(n) <u>Interpretation.</u> The Plan is designed and intended to comply, to the extent applicable, with Section 162(m) of the Code, and all provisions hereof will be construed in a manner to so comply. Notwithstanding anything to the contrary in the Plan, the provisions of the plan may at any time be bifurcated by the Administrator in any manner so that certain provisions of the Plan or any Award intended (or required in order) to satisfy the applicable requirements of Section 162(m) are only applicable to Covered Employees whose compensation is subject to Section 162(m).

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(o) No Impairment of Rights. The adoption or administration of the Plan is not intended, nor will it be interpreted, as having the effect of modifying, altering, adding or impairing any right that a Participant may have under a separate agreement entered into between the Company or any of its subsidiaries and such Participant.

(p) Section 409A. It is intended that any amounts payable with respect to any Award under this Plan will to the maximum extent possible be treated as short-term deferrals within the meaning of Treas. Regs. §1.409A-1(b)(4) or other payments that are not treated as nonqualified deferred compensation and will not be aggregated with other nonqualified deferred compensation plans or payments. To the extent that any amounts payable under this Plan constitute nonqualified deferred compensation it is intended that such payments will comply with and avoid the imputation of any tax, penalty or interest under Section 409A. This Plan and any Award under the Plan will be construed and interpreted consistent with that intent. Any amount that is paid will be treated as a separate payment. Participants will not, directly or indirectly designate the taxable year of any payment made under this Plan. Neither Company nor any of its subsidiaries guaranty or warrant the tax consequences of any Award under this Plan and, except as specifically provided to the contrary in this Plan, each Participant will in all cases, be liable for any taxes due as a result of an Award under this Plan. Neither Company nor any of its subsidiaries will have any obligation to indemnify or otherwise hold any Participant harmless from any or all taxes, interest or penalties, or liability for any damages related thereto.

8. Execution.

To record the adoption of the Plan by the Board on April 1, 2014, effective on such date, the Company has caused its authorized officer to execute the Plan as evidence of its adoption.

Gulfport Energy Corporation

By: /s/ Michael G. Moore
Michael G. Moore, Interim
Chief Executive Officer

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PROXY

FOR THE ANNUAL MEETING OF STOCKHOLDERS OF

Gulfport Energy Corporation

This Proxy Is Solicited On Behalf Of The Board Of Directors

The undersigned hereby appoints Michael G. Moore and J. Ross Kirtley (together, the Proxies), and each of them, with full power of substitution, as proxies to vote the shares that the undersigned is entitled to vote at the Annual Meeting of Stockholders of Gulfport Energy Corporation (the Company) to be held on June 12, 2014 at 10:00 a.m. Oklahoma City time and at any adjournments and postponements thereof. Such shares shall be voted as indicated with respect to the proposals listed on the reverse side hereof and in the Proxies discretion on such other matters as may properly come before the meeting or any adjournment or postponement thereof.

The undersigned acknowledges receipt of the 2014 Notice of Annual Meeting and accompanying Proxy Statement and revokes all prior proxies for said meeting.

THE SHARES REPRESENTED BY THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO SPECIFIC DIRECTION IS GIVEN AS TO THE PROPOSALS ON THE REVERSE SIDE, THIS PROXY WILL BE VOTED FOR EACH OF THE NOMINEES NAMED IN PROPOSAL 1, FOR EACH OF THE PROPOSALS 2, 3 AND 4 IN ACCORDANCE WITH THE BOARD OF DIRECTOR S RECOMMENDATION. PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY.

(Continued and to be marked, dated and signed on reverse side.)

Detach here from proxy voting card.

GULFPORT ENERGY CORPORATION
Proposal 1 ELECTION OF DIRECTORS

01 Michael G. Moore	For	Against	Abstain
	..	..	..
02 Donald L. Dillingham	For	Against	Abstain
	..	..	..
03 Craig Groeschel	For	Against	Abstain
	..	..	..

	For	Against	Abstain
04 David L. Houston	For ..	Against ..	Abstain ..
05 Michael S. Reddin	For ..	Against ..	Abstain ..
06 Scott E. Streller	For ..	Against ..	Abstain ..
Proposal 2 Proposal to Approve Our 2014 Executive Annual Incentive Compensation Plan	For ..	Against ..	Abstain ..
Proposal 3 Proposal to Approve, on an Advisory Basis, the Company s Executive Compensation	For ..	Against ..	Abstain ..
Proposal 4 Proposal to Ratify the Appointment of Our Independent Auditors, Grant Thornton LLP, for fiscal year 2014	For ..	Against ..	Abstain ..

This proxy, when properly signed, will be voted in the manner directed herein by the undersigned stockholder. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR ALL NOMINEES FOR ELECTION OF DIRECTORS UNDER PROPOSAL 1 AND FOR EACH OF THE PROPOSALS 2, 3 AND 4 IN ACCORDANCE WITH THE BOARD OF DIRECTOR S RECOMMENDATION.

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IMPORTANT PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY. THANK YOU FOR VOTING.

Signature ______________ Signature, if held jointly ______________ Dated __________, 2014

When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee, or guardian, please give full title as such. If a corporation, please sign in full corporate name by the president or another authorized officer. If a partnership, please sign in partnership name by an authorized person.

Proxy Gulfport Energy Corporation

You are cordially invited to attend the Annual Meeting of Stockholders

To be held on June 12, 2014, at

10:00 a.m. Oklahoma City time, at

14313 North May Avenue, Suite 100, Oklahoma City, Oklahoma 73134.