

MGIC INVESTMENT CORP

Form S-4/A

April 05, 2007

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**As filed with the Securities and Exchange Commission on April 5, 2007**

**Registration No. 333-141424**

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

**AMENDMENT NO.1 TO  
Form S-4  
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

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

**Wisconsin**  
*(State or other jurisdiction of  
incorporation or organization)*

**6351**  
*(Primary Standard Industrial  
Classification Code Number)*

**39-1486475**  
*(IRS Employer  
Identification Number)*

**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  
Senior Vice President, Secretary and General Counsel  
MGIC Investment Corporation  
MGIC Plaza  
250 East Kilbourn Avenue  
Milwaukee, Wisconsin 53202  
(414) 347-6480**  
*(Name, address, including zip code, and telephone number,  
Including area code, of agent for service)*

***With copies to:***

**Benjamin F. Garmer, III**  
**Patrick G. Quick**  
**Foley & Lardner LLP**  
**777 East Wisconsin Ave., Suite 3800**  
**Milwaukee, Wisconsin 53202**  
**(414) 271-2400**

**Teresa A. Bryce**  
**Executive Vice President,**  
**General Counsel and Secretary**  
**Radian Group Inc.**  
**1601 Market Street**  
**Philadelphia, Pennsylvania 19103**  
**(215) 231-1000**

**Edward D. Herlihy**  
**Nicholas G. Demmo**  
**Wachtell, Lipton, Rosen & Katz**  
**51 West 52nd Street**  
**New York, New York 10019**  
**(212) 403-1000**

**Approximate date of commencement of proposed sale of the securities to the public:** As soon as practicable after this Registration Statement becomes effective and all other conditions to the proposed merger described herein have been satisfied or waived.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

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.

If this form is a post-effective amendment filed pursuant to Rule 462(d) 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.

**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 the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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**Explanatory Note**

This registration statement contains two forms of the joint proxy statement/prospectus delivered separately to stockholders of MGIC Investment Corporation and Radian Group Inc. in connection with their respective annual meetings. The joint proxy statement/prospectus to be delivered to MGIC stockholders in connection with the MGIC-Radian merger described in this document will contain a letter to MGIC stockholders and a notice of the MGIC annual meeting, as well as a separate table of contents and a separate section at the end of the joint proxy statement/prospectus containing information on the election of MGIC directors to serve for terms of three years until their successors are duly elected and qualified, the ratification of the selection of an independent registered public accounting firm, and the adjournment of the MGIC annual meeting if necessary to allow for the solicitation of additional proxies. Similarly, the joint proxy statement/prospectus to be delivered to Radian stockholders in connection with the merger will contain a letter to Radian stockholders and a notice of the Radian annual meeting, as well as a separate table of contents and a separate section at the end of the joint proxy statement/prospectus containing information on the election of Radian directors to serve until the next annual meeting of stockholders of Radian until their successors are duly elected and qualified, the ratification of the selection of an independent registered public accounting firm, and the adjournment of the Radian annual meeting if necessary to allow for the solicitation of additional proxies.

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**Preliminary Joint Proxy Statement/Prospectus**

**Subject To Completion, Dated April 5, 2007**

**TO THE STOCKHOLDERS OF  
MGIC INVESTMENT CORPORATION**

**A MERGER PROPOSAL YOUR VOTE IS VERY IMPORTANT**

We are pleased to report that the boards of directors of MGIC Investment Corporation ( MGIC ) and Radian Group Inc. ( Radian ) have unanimously approved a strategic merger involving the two companies. Before the merger can be completed, the approval of the stockholders of both MGIC and Radian must be obtained. **We are sending you this joint proxy statement/prospectus to ask you to vote in favor of adoption of the merger agreement.**

In the merger, Radian will merge with and into MGIC. If the merger is completed, Radian stockholders will receive 0.9658 shares of MGIC common stock for each share of Radian common stock held immediately prior to the merger. If the merger had been completed on March 19, 2007, shares of MGIC outstanding immediately before completion of the merger would represent approximately 52% of the combined company and shares of Radian outstanding immediately before completion of the merger would represent approximately 48% of the combined company.

The exchange ratio in the merger is fixed and will not be adjusted to reflect stock price changes prior to completion of the merger. Based on the closing price of MGIC common stock on the New York Stock Exchange on February 5, 2007, the last full trading day before public announcement of the merger, the 0.9658 exchange ratio represents approximately \$60.78 in value for each share of Radian common stock. Based on the closing price of MGIC common stock on the New York Stock Exchange on April 4, 2007, the latest practicable date before the date of this joint proxy statement/prospectus, the 0.9658 exchange ratio represents approximately \$55.61 in value for each share of Radian common stock.

**You should obtain current market quotations for both MGIC common stock and Radian common stock.** MGIC common stock is listed on the New York Stock Exchange under the symbol MTG. Radian common stock is listed on the New York Stock Exchange under the symbol RDN.

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**[MGIC ALTERNATE PAGE]**

The merger is intended to be generally tax-free to MGIC stockholders.

The merger cannot be completed unless MGIC stockholders and Radian stockholders adopt the merger agreement. At our 2007 annual meeting, which will be held on May 10, 2007, we will ask our stockholders to approve the merger agreement, in addition to other business that stockholders will conduct, including a proposal to elect three directors, each for a three-year term. **Your vote is important.** Whether or not you plan to attend our annual meeting, please take the time to submit your proxy with voting instructions in accordance with the instructions contained in this joint proxy statement/prospectus. If you do not vote, it will have the same effect as voting against the merger. The place, date and time of the meeting are as follows:

May 10, 2007  
9:00 a.m. (local time)  
Marcus Center for the Performing Arts  
929 North Water Street  
Milwaukee, Wisconsin

**MGIC's Board of Directors Unanimously Recommends That MGIC Stockholders Vote For Adoption of the Merger Agreement.**

**We urge you to read this joint proxy statement/prospectus, and the documents incorporated by reference into this joint proxy statement/prospectus, carefully and in their entirety. In particular, see the section entitled Risk Factors beginning on page 19.**

We are very excited about the opportunities the proposed merger brings to our stockholders and we thank you for your consideration and continued support.

Curt S. Culver  
Chief Executive Officer  
MGIC Investment Corporation

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the MGIC common stock to be issued under this joint proxy statement/prospectus or determined if this joint proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.**

The date of this joint proxy statement/prospectus is April 5, 2007, and it is first being mailed to MGIC stockholders on or about April 9, 2007.

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[MGIC ALTERNATE PAGE]

**MGIC INVESTMENT CORPORATION**  
**MGIC Plaza**  
**250 East Kilbourn Avenue**  
**Milwaukee, Wisconsin 53202**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**  
**To be Held on May 10, 2007**

MGIC Investment Corporation ( MGIC ) will hold an annual meeting of MGIC stockholders at the Marcus Center for the Performing Arts, 929 North Water Street, Milwaukee, Wisconsin, at 9:00 a.m. local time, on May 10, 2007 to consider and vote upon the following matters:

A proposal to adopt the Agreement and Plan of Merger, by and between MGIC Investment Corporation and Radian Group Inc., dated as of February 6, 2007, as it may be amended from time to time, pursuant to which Radian will be merged with and into MGIC;

A proposal to elect three directors, each for a three-year term;

A proposal to ratify the appointment of PricewaterhouseCoopers LLP as MGIC's independent registered public accounting firm for 2007;

A proposal to approve the adjournment of the MGIC annual meeting, if necessary or appropriate, to solicit additional proxies; and

Such other business as may properly come before the MGIC annual meeting or any adjournment or postponement of the meeting.

Upon completion of the merger, MGIC will be the surviving corporation, and each share of Radian common stock will be converted into 0.9658 shares of MGIC common stock. Your attention is directed to the joint proxy statement/prospectus accompanying this notice for a complete discussion of the merger. A copy of the merger agreement is included as **Annex A** to the accompanying joint proxy statement/prospectus.

The board of directors has fixed the close of business on March 9, 2007 as the record date for the MGIC annual meeting. MGIC stockholders of record at such time are entitled to notice of, and to vote at, the MGIC annual meeting or any adjournment or postponement of the MGIC annual meeting.

**Whether or not you plan to attend the MGIC annual meeting, please submit your proxy with voting instructions. To submit your proxy by mail, please complete, sign, date and return the accompanying proxy card in the enclosed self-addressed, stamped envelope.** This will not prevent you from voting in person, but it will help to secure a quorum and avoid added solicitation costs. Any holder of MGIC common stock who is present at the MGIC annual meeting may vote in person instead of by proxy, thereby canceling any previous proxy. Also, a proxy may be revoked in writing at any time before the MGIC annual meeting.

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**[MGIC ALTERNATE PAGE]**

**The MGIC board of directors has unanimously approved the merger agreement and unanimously recommends that MGIC stockholders vote FOR adoption of the merger agreement, FOR election of each of its director nominees listed in this proxy statement/prospectus, FOR ratification of the appointment of PricewaterhouseCoopers LLP as MGIC's independent registered public accounting firm for 2007 and FOR approval of the adjournment of the MGIC annual meeting, if necessary or appropriate to solicit additional proxies.**

**By Order of the Board of Directors,**

Jeffrey H. Lane  
Senior Vice President,  
General Counsel and Secretary

Milwaukee, Wisconsin  
April 5, 2007

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**[RADIAN ALTERNATIVE PAGE]**

**Preliminary Joint Proxy Statement/Prospectus**

**Subject To Completion, Dated April 5, 2007**

**TO THE STOCKHOLDERS OF  
RADIAN GROUP INC.**

**A MERGER PROPOSAL YOUR VOTE IS VERY IMPORTANT**

We are pleased to report that the boards of directors of MGIC Investment Corporation ( MGIC ) and Radian Group Inc. ( Radian ) have unanimously approved a strategic merger involving the two companies. Before the merger can be completed, the approval of the stockholders of both MGIC and Radian must be obtained. **We are sending you this joint proxy statement/prospectus to ask you to vote in favor of adoption of the merger agreement.**

In the merger, Radian will merge with and into MGIC. If the merger is completed, Radian stockholders will receive 0.9658 shares of MGIC common stock for each share of Radian common stock held immediately prior to the merger. If the merger had been completed on March 19, 2007, the record date for Radian's annual meeting, shares of MGIC outstanding immediately before completion of the merger would represent approximately 52% of the combined company and shares of Radian outstanding immediately before completion of the merger would represent approximately 48% of the combined company.

The exchange ratio in the merger is fixed and will not be adjusted to reflect stock price changes prior to completion of the merger. Based on the closing price of MGIC common stock on the New York Stock Exchange on February 5, 2007, the last full trading day before public announcement of the merger, the 0.9658 exchange ratio represents approximately \$60.78 in value for each share of Radian common stock. Based on the closing price of MGIC common stock on the New York Stock Exchange on April 4, 2007, the latest practicable date before the date of this joint proxy statement/prospectus, the 0.9658 exchange ratio represents approximately \$55.61 in value for each share of Radian common stock.

**You should obtain current market quotations for both MGIC common stock and Radian common stock.** MGIC common stock is listed on the New York Stock Exchange under the symbol MTG. Radian common stock is listed on the New York Stock Exchange under the symbol RDN.

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**[RADIAN ALTERNATIVE PAGE]**

The merger is intended to be generally tax-free to Radian stockholders other than with respect to any cash that Radian stockholders receive instead of receiving fractional shares of MGIC common stock.

The merger cannot be completed unless MGIC stockholders and Radian stockholders adopt the merger agreement. At our 2007 annual meeting, which will be held on May 9, 2007, we will ask our stockholders to approve the merger agreement, in addition to other business that stockholders will conduct, including a proposal to elect ten directors, each for a one-year term. **Your vote is important.** Whether or not you plan to attend our annual meeting, please take the time to submit your proxy with voting instructions in accordance with the instructions contained in this joint proxy statement/prospectus. If you do not vote, it will have the same effect as voting against the merger. The place, date and time of our annual meeting are as follows:

**May 9, 2007  
9:00 a.m. (local time)  
Ritz-Carlton Philadelphia  
10 Avenue of the Arts  
Philadelphia, Pennsylvania 19102**

**Radian's Board of Directors Unanimously Recommends That Radian Stockholders Vote For Adoption of the Merger Agreement.**

**We urge you to read this joint proxy statement/prospectus, and the documents incorporated by reference into this joint proxy statement/prospectus, carefully and in their entirety. In particular, see the section entitled Risk Factors beginning on page 19.**

We are very excited about the opportunities the proposed merger brings to Radian stockholders and we thank you for your consideration and continued support.

Sanford A. Ibrahim  
Chief Executive Officer  
Radian Group Inc.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the MGIC common stock to be issued under this joint proxy statement/prospectus or determined if this joint proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.**

The date of this joint proxy statement/prospectus is April 5, 2007, and it is first being mailed to Radian stockholders on or about April 9, 2007.

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[RADIANT ALTERNATIVE PAGE]

**RADIANT GROUP INC.  
1601 Market Street  
Philadelphia, Pennsylvania 19103**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To be Held on May 9, 2007**

Radian Group Inc. ( Radian ) will hold an annual meeting of Radian stockholders at the Ritz-Carlton Philadelphia, 10 Avenue of the Arts, Philadelphia, Pennsylvania 19102, at 9:00 a.m. local time, on May 9, 2007 to consider and vote upon the following matters:

A proposal to adopt the Agreement and Plan of Merger, by and between MGIC Investment Corporation and Radian Group Inc., dated as of February 6, 2007, as it may be amended from time to time, pursuant to which Radian will be merged with and into MGIC;

A proposal to elect ten directors, each for a one-year term;

A proposal to ratify the appointment of Deloitte & Touche LLP as Radian's independent registered public accounting firm for 2007;

A proposal to approve the adjournment of the Radian annual meeting, if necessary or appropriate, to solicit additional proxies; and

Such other business as may properly come before the Radian annual meeting or any adjournment or postponement of the meeting.

Upon completion of the merger, MGIC will be the surviving corporation, and each share of Radian common stock will be converted into 0.9658 shares of MGIC common stock. Your attention is directed to the joint proxy statement/prospectus accompanying this notice for a complete discussion of the merger. A copy of the merger agreement is included as **Annex A** to the accompanying joint proxy statement/prospectus.

The board of directors has fixed the close of business on March 19, 2007 as the record date for the Radian annual meeting. Radian stockholders of record at such time are entitled to notice of, and to vote at, the Radian annual meeting or any adjournment or postponement of the Radian annual meeting.

**Whether or not you plan to attend the Radian annual meeting, please submit your proxy with voting instructions. To submit your proxy by mail, please complete, sign, date and return the accompanying proxy card in the enclosed self-addressed, stamped envelope.** This will not prevent you from voting in person, but it will help to secure a quorum and avoid added solicitation costs. Any holder of Radian common stock who is present at the Radian annual meeting may vote in person instead of by proxy, thereby canceling any previous proxy. Also, a proxy may be revoked in writing at any time before the Radian annual meeting.

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**The Radian board of directors has unanimously approved the merger agreement and unanimously recommends that Radian stockholders vote FOR adoption of the merger agreement, FOR election of each of its director nominees listed in this joint proxy statement/prospectus, FOR ratification of the appointment of Deloitte & Touche LLP as Radian's independent registered public accounting firm for 2007 and FOR approval of the adjournment of the Radian annual meeting, if necessary or appropriate, to solicit additional proxies.**

**By Order of the Board of Directors,**

Teresa A. Bryce  
Executive Vice President,  
General Counsel and Secretary  
Philadelphia, Pennsylvania  
April 5, 2007

**YOUR VOTE IS IMPORTANT**

**Please complete, sign, date and return your proxy card promptly, whether or not you plan to attend the Radian annual meeting.**

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**REFERENCES TO ADDITIONAL INFORMATION**

This joint proxy statement/prospectus incorporates important business and financial information about MGIC and Radian from documents that are not included in or delivered with this joint proxy statement/prospectus. This information is available for you to review at the Securities and Exchange Commission's public reference room located at 100 F Street, N.E., Washington, D.C. 20549, and through the Securities and Exchange Commission's website located at <http://www.sec.gov>. You can also obtain those documents incorporated by reference into this joint proxy statement/prospectus, without charge, by requesting them in writing or by telephone or email from the appropriate company at the following addresses, telephone numbers and email addresses or obtaining them from each company's website listed below:

MGIC Investment Corporation  
MGIC Plaza  
250 East Kilbourn Avenue  
Milwaukee, Wisconsin 53202  
Attention: Investor Relations  
Toll-Free: (800) 558-9900  
[mike\\_zimmerman@mgic.com](mailto:mike_zimmerman@mgic.com)  
<http://www.mgic.com>

Radian Group Inc.  
1601 Market Street  
Philadelphia, Pennsylvania 19103  
Attention: Investor Relations  
Toll-Free: (800) 523-1988  
[mona.zeehandelaar@radian.biz](mailto:mona.zeehandelaar@radian.biz)  
<http://www.radian.biz>

Information contained on the MGIC and Radian websites is expressly not incorporated by reference into this joint proxy statement/prospectus.

You can also obtain documents incorporated by reference into this joint proxy statement/prospectus by requesting them in writing or by telephone from D. F. King & Co., Inc., MGIC's proxy solicitor, or Georgeson Inc., Radian's proxy solicitor, at the following addresses and telephone numbers:

D. F. King & Co., Inc.  
48 Wall Street  
New York, New York 10005  
Toll-Free (800) 967-7635

Georgeson Inc.  
17 State Street, Tenth Floor  
New York, New York 10004  
Toll-Free (866) 541-3223

**You will not be charged for any of these documents that you request. If you would like to request such documents, you must do so by May 3, 2007, so that you may receive them before the annual meetings.**

**You should rely only on the information contained or incorporated by reference into this joint proxy statement/prospectus to vote on the merger agreement. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this joint proxy statement/prospectus. This joint proxy statement/prospectus is dated April 5, 2007. You should not assume that the information contained in, or incorporated by reference into, this joint proxy statement/prospectus is accurate as of any date other than that date. Neither our mailing of this joint proxy statement/prospectus to MGIC stockholders or Radian stockholders nor the issuance by MGIC of common stock in connection with the merger will create any implication to the contrary.**

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**QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETINGS AND THE MERGER**

*The following questions and answers briefly address some commonly asked questions about the MGIC and Radian annual meetings and the merger. They do not include all the information that may be important to you. MGIC and Radian urge you to read carefully this entire joint proxy statement/prospectus, including the annexes and the other documents referenced in this joint proxy statement/prospectus.*

**Q: What Am I Being Asked To Vote On?**

A: MGIC stockholders and Radian stockholders are each being asked to adopt a merger agreement entered into between MGIC and Radian. In the merger, Radian will be merged with and into MGIC, MGIC will be the surviving corporation, and Radian's stockholders will receive MGIC common stock. In addition, stockholders will vote on the matters set forth on the accompanying notice of annual meeting, including the election of directors and ratification of the appointment of independent registered public accounting firms for 2007. Also, management for each of MGIC and Radian will report on the performance during the last year of MGIC and Radian, respectively, and after the meetings respond to questions from stockholders.

**Q: Who Is Entitled To Vote At The Meeting?**

A: For MGIC, only stockholders of record at the close of business on March 9, 2007, the record date for the meeting, are entitled to receive notice and to participate in the annual meeting. For each share of MGIC common stock that you held on that date, you are entitled to one vote on each matter considered at the meeting.

For Radian, only stockholders of record at the close of business on March 19, 2007, the record date for the meeting, are entitled to receive notice and to participate in the annual meeting. For each share of Radian common stock that you held on that date, you are entitled to one vote on each matter considered at the meeting.

**Q: What Is A Proxy?**

A: A proxy is another person you legally designate to vote your shares. If you designate someone as your proxy in a written document, that document is also called a proxy or a proxy card.

**Q: Why Is My Vote Important?**

A: The affirmative vote of the holders of at least a majority of the outstanding shares of each of MGIC and Radian is required to adopt the merger agreement. Accordingly, if an MGIC stockholder or a Radian stockholder fails to vote or abstains, this will have the same effect as a vote against adoption of the merger agreement.

**Q: What Do I Need To Do Now?**

A: After you have carefully read this joint proxy statement/prospectus, indicate on your proxy card how you want your shares to be voted. Then complete, sign, date and mail your proxy card in the enclosed postage paid return envelope as soon as possible. This will enable your shares to be represented and voted at the MGIC annual meeting or the Radian annual meeting, as applicable.

**Q: If My Shares Are Held In Street Name By My Broker, Will My Broker Automatically Vote My Shares For Me?**

A: No. Without instructions from you, your broker will not be able to vote your shares on the adoption of the merger agreement. You should instruct your broker to vote your shares, following the directions your broker provides. Please check the voting form used by your broker to see if it offers telephone or internet voting.

If you hold shares of MGIC common stock as a participant in the MGIC Investment Corporation Profit Sharing and Savings Plan and Trust, the trustee for the plan will vote the shares you hold through the plan as you direct. U.S. Bank, N.A. will provide plan participants who hold MGIC common stock through the plan with forms on which participants may communicate their voting instructions. If voting instructions are not received for shares held in the plan, those shares will be voted in the same proportion

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that all shares of MGIC common stock in the plan for which voting instructions have been received are voted.

### **Q: What If I Fail To Instruct My Broker?**

A: If you fail to instruct your broker to vote shares held in street name, the resulting broker non-vote will have the same effect as a vote against adoption of the merger agreement.

### **Q: Can I Change My Vote?**

A: Yes. If you have not voted through your broker, there are three ways you can change your vote after you have submitted your proxy:

First, you may send a written notice to the corporate secretary of MGIC or Radian, as appropriate, stating that you would like to revoke your proxy.

Second, you may complete and submit a new proxy card. Your latest vote actually received by MGIC or Radian, as the case may be, before the annual meeting will be counted, and any earlier votes will be revoked.

Third, you may attend the MGIC or Radian annual meeting, as the case may be, and vote in person. Any earlier proxy will thereby be revoked. However, simply attending the meeting without voting will not revoke an earlier proxy you may have given.

If you have instructed a broker to vote your shares, or if your shares are held in MGIC's Profit Sharing and Savings Plan and Trust or the Radian Group Inc. Savings Incentive Plan, you must follow the instructions of the broker, nominee or plan trustee on how to change or revoke your vote.

### **Q: If I Am A Radian Stockholder, Should I Send In My Stock Certificates Now?**

A: No. Please do **NOT** send in your stock certificates at this time. We will provide you with instructions regarding the surrender of your stock certificates at a later date. You should then send your Radian common stock certificates to the exchange agent. There is no need for MGIC stockholders to send in or exchange their existing stock certificates at any time in connection with the merger.

### **Q: When Do You Expect To Complete The Merger?**

A: We currently expect to complete the merger in the fourth quarter of 2007. However, we cannot assure you when or if the merger will occur. We must first obtain the approvals of our stockholders at the annual meetings and obtain the necessary regulatory approvals.

### **Q: What Are The Boards' Recommendations?**

A: For MGIC, the board of directors recommends a vote **FOR** adoption of the merger agreement, **FOR** election of each of its director nominees listed in this proxy statement/prospectus, **FOR** ratification of the appointment of PricewaterhouseCoopers LLP as MGIC's independent registered public accounting firm for 2007, and **FOR** approval of the adjournment of the MGIC annual meeting, if necessary or appropriate, to solicit additional proxies.

For Radian, the board of directors recommends a vote **FOR** adoption of the merger agreement, **FOR** election of each of its director nominees listed in this proxy statement/prospectus, **FOR** ratification of the appointment of

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Deloitte & Touche LLP as Radian's independent registered public accounting firm for 2007, and **FOR** approval of the adjournment of the Radian annual meeting, if necessary or appropriate, to solicit additional proxies.

If you sign and return a proxy card without specifying how you want your shares voted, the named proxies will vote your shares in accordance with the recommendations of the boards of each of MGIC

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and Radian regarding the matters described in this proxy statement/prospectus, and in their best judgment on any other matters that properly come before the meetings.

**Q: Will Any Other Items Be Acted Upon At The Annual Meeting?**

A: The respective boards of MGIC and Radian know of no other business to be presented at their annual meetings. Neither MGIC nor Radian received any proposals from stockholders for presentation at their respective annual meetings that will be brought before such meetings.

**Q: What Are The Deadlines For Submission Of Stockholder Proposals For The Next Annual Meeting?**

A: Stockholders may submit proposals on matters appropriate for stockholder action at future annual meetings by following the rules of the Securities and Exchange Commission. For a proposal to be included in next year's MGIC proxy materials, the Corporate Secretary of MGIC must receive the proposal no later than December 7, 2007. For a proposal to be included in next year's Radian proxy materials, the Secretary of Radian must receive the proposal no later than December 7, 2007.

Under MGIC's amended and restated bylaws, a stockholder who wants to bring business before the annual meeting that has not been included in the proxy materials for the meeting, or who wants to nominate directors at the meeting, must be eligible to vote at the meeting and give written notice of the proposal to MGIC's Corporate Secretary. The procedures contained in MGIC's amended and restated bylaws include giving notice to the MGIC corporate secretary at least 45 and not more than 70 days before the first anniversary of the date set forth in MGIC's proxy statement for the prior annual meeting as the date on which MGIC first mailed such proxy materials to shareholders. For the 2008 annual meeting, the notice must be received by the MGIC Corporate Secretary by no later than February 24, 2008, and no earlier than January 30, 2008. For director nominations, the notice must comply with the MGIC amended and restated bylaws and provide the information required to be included in the proxy statement for individuals nominated by the board. For any other proposals, the notice must describe the proposal and why it should be approved, identify any material interest of the stockholder in the matter, and include other information required by the MGIC amended and restated bylaws.

Under Radian's bylaws, a stockholder who desires to submit a proposal for consideration at the 2008 annual meeting, but not have the proposal included with the proxy solicitation materials relating to the 2008 annual meeting, or who wants to nominate directors for election to Radian's board of directors, must submit written notice to Radian's Secretary. The written notice must be received by Radian's Secretary at least 60 days before the 2008 annual meeting (except that if Radian gives less than 75 days' notice or other public disclosure of the 2008 annual meeting, then the proposal must be received by Radian's Secretary no later than the close of business on the 15th day after the day on which Radian mails the notice of the 2008 annual meeting or makes such public disclosure). For director nominations, the notice must contain: the name, age, principal occupation, and business and residence address of each person nominated; the class and number of shares of Radian capital stock beneficially owned by each person nominated; any other information about each person nominated that would be required under relevant SEC rules to be in a proxy statement for a meeting involving the election of directors; the name and record address of the stockholder making the nomination; and the class and number of shares of Radian capital stock owned by the stockholder making the nomination. The full text of the relevant bylaw provisions may be obtained upon written request directed to Radian's Secretary and a copy of Radian's bylaws is available on the corporate governance section of Radian's website, [www.radian.biz](http://www.radian.biz).



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**Q: Whom Should I Call With Questions?**

A: If you have questions about the merger, the annual meetings or how to vote your shares, or you need additional copies of this joint proxy statement/prospectus or the enclosed proxy card or voting instruction card, you should contact:

*If you are an MGIC stockholder:*

D. F. King & Co., Inc.  
48 Wall Street  
New York, New York 10005  
Toll-Free (800) 967-7635

*If you are a Radian stockholder:*

Georgeson Shareholder Communications, Inc.  
17 State Street, Tenth Floor  
New York, New York 10004  
Toll-Free (866) 541-3223

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**SUMMARY**

**This summary highlights selected information from this joint proxy statement/prospectus. It does not contain all of the information that may be important to you. We urge you to read carefully this entire joint proxy statement/prospectus and the other documents to which we refer to fully understand the merger and the related transactions. In addition, we incorporate by reference into this joint proxy statement/prospectus important business and financial information about MGIC and Radian. You may obtain the information that we incorporate by reference into this joint proxy statement/prospectus without charge by following the instructions in the section entitled **Where You Can Find More Information** on page 87. Items in this summary refers to the page of this joint proxy statement/prospectus on which that subject is discussed in more detail.**

**The Merger (Page 62)**

We encourage you to read the merger agreement, which is attached as **Annex A** to this joint proxy statement/prospectus and which we incorporate by reference into this joint proxy statement/prospectus. The merger agreement provides that Radian will merge with and into MGIC, with MGIC as the surviving company. Each share of Radian common stock outstanding prior to the merger will automatically be converted in the merger into 0.9658 shares of MGIC common stock. The combined company will be named **MGIC Radian Financial Group Inc.**, and its common stock will continue to trade on the New York Stock Exchange under the symbol **MTG**.

**Exchange Ratio in the Merger; Fractional Shares (Pages 62, 60)**

Upon completion of the merger, each Radian stockholder will receive 0.9658 shares of MGIC common stock for each share of Radian common stock held immediately prior to the merger. We sometimes refer to this ratio as the exchange ratio. The aggregate number of shares of MGIC common stock to which a Radian stockholder will be entitled upon completion of the merger will equal 0.9658 multiplied by the number of shares of Radian common stock held by that Radian stockholder. However, MGIC will not issue any fractional shares. Radian stockholders entitled to a fractional share will instead receive an amount in cash equal to the fraction of a whole share of MGIC common stock to which such stockholder would otherwise be entitled multiplied by the average closing sale prices of MGIC common stock on the five full trading days immediately prior to the date on which the merger is completed. As an example, a holder of 100 shares of Radian common stock would receive 96 shares of MGIC common stock and an amount of cash equal to the product of 0.58 and the average closing price of a share of MGIC common stock on the five full trading days immediately prior to the date on which the merger is completed.

The exchange ratio is a fixed ratio. Therefore, the number of shares of MGIC common stock that holders of Radian common stock will receive in the merger will not change if the trading price of MGIC common stock or Radian common stock changes between now and the time the merger is completed.

If the merger had been completed on March 19, 2007, shares of MGIC outstanding immediately before completion of the merger would represent approximately 52% of the combined company and shares of Radian outstanding immediately before completion of the merger would represent approximately 48% of the combined company.

**The market prices of both MGIC common stock and Radian common stock will fluctuate prior to the merger. You should obtain current stock price quotations for MGIC common stock and Radian common stock.**

**MGIC's Board of Directors Unanimously Recommends that You Vote FOR the Adoption of the Merger Agreement (Page 32)**

MGIC's board of directors believes that the merger is in the best interests of MGIC and its stockholders and has unanimously approved the merger agreement. For the factors considered by the MGIC board of directors in reaching its decision to approve the merger agreement, see the section entitled Merger Proposal

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to be Considered at the Annual Meetings of MGIC and Radian MGIC's Reasons for the Merger; Recommendation of MGIC's Board of Directors. MGIC's board of directors unanimously recommends that MGIC stockholders vote **FOR** the adoption of the merger agreement.

**Radian's Board of Directors Unanimously Recommends that You Vote FOR the Adoption of the Merger Agreement (Page 34)**

Radian's board of directors believes that the merger is in the best interests of Radian and its stockholders and has unanimously approved the merger agreement. For the factors considered by the Radian board of directors in reaching its decision to approve the merger agreement, see the section entitled Merger Proposal to be Considered at the Annual Meetings of MGIC and Radian Radian's Reasons for the Merger; Recommendation of Radian's Board of Directors. Radian's board of directors unanimously recommends that Radian stockholders vote **FOR** the adoption of the merger agreement.

**MGIC's Financial Advisor Has Provided an Opinion to the MGIC Board of Directors as to the Fairness of the Exchange Ratio from a Financial Point of View to MGIC (Page 36)**

In deciding to approve the merger, the MGIC board of directors considered the oral opinion of its financial advisor, Goldman, Sachs & Co., provided to the MGIC board of directors on February 5, 2007. Goldman Sachs subsequently confirmed in writing that, as of the date of such opinion and based upon and subject to the factors and assumptions set forth in the opinion, the exchange ratio pursuant to the merger agreement was fair from a financial point of view to MGIC. We have attached a copy of this opinion to this document as **Annex B** and incorporate it into this joint proxy statement/prospectus by reference. MGIC stockholders should read the opinion completely and carefully to understand the assumptions made, matters considered and limitations on the review undertaken by Goldman, Sachs & Co. in providing its opinion.

**Radian's Financial Advisor Has Provided an Opinion to the Radian Board of Directors as to the Fairness of the Exchange Ratio from a Financial Point of View to Radian Stockholders (Page 44)**

In deciding to approve the merger, the Radian board of directors considered the oral opinion of its financial advisor, Lehman Brothers, provided to the Radian board of directors on February 5, 2007. Lehman Brothers subsequently confirmed in writing that, as of the date of such opinion, the exchange ratio pursuant to the merger agreement was fair from a financial point of view to the holders of Radian common stock. We have attached a copy of this opinion to this document as **Annex C** and incorporate it into this joint proxy statement/prospectus by reference. Radian stockholders should read the opinion completely and carefully to understand the assumptions made, matters considered and limitations of the review undertaken by Lehman Brothers in providing its opinion.

**Certain Executive Officers and Directors Have Certain Interests in the Merger (Page 51)**

Certain executive officers and directors of MGIC and Radian have financial and other interests in the merger in addition to their interests as stockholders. The boards of directors of each of MGIC and Radian considered financial and other interests of each company's executive officers and directors, among other matters, in approving the merger. Each of Sanford A. Ibrahim, Chief Executive Officer of Radian, Mark A. Casale, President of Radian Guaranty Inc., Radian's principal mortgage insurance subsidiary, and Teresa A. Bryce, Executive Vice President, General Counsel and Secretary of Radian, entered into an employment agreement with MGIC, which will become effective upon the completion of the merger and, in the case of Mr. Ibrahim's agreement, supersede his existing agreement, as more fully described under the The Merger Interests of Radian's Officers in the Merger. Certain other executive officers of Radian have rights under change in control agreements or other compensation related agreements with Radian, rights under stock-based benefit programs and rights under retirement benefit plans. The Radian board of directors was

aware of, and the MGIC board of directors was notified of, these interests. In addition, MGIC and Radian have agreed to certain post-closing officer and board positions as discussed in Board of Directors and Management of the Combined Company Following the Merger.

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**Board of Directors and Management Following the Merger (Page 50)**

Upon completion of the merger, the board of directors of the combined company will initially consist of eleven directors, six of whom will be designated by MGIC and five of whom will be designated by Radian. Promptly following the effectiveness of the merger, the board of directors of the combined company will convene a special stockholder meeting for the purpose of voting on an additional director nominee from the remaining former Radian directors not then serving on the board of the combined company. Following this additional appointment, and until the combined company's May 2010 stockholder meeting, the board of directors of the combined company will be comprised of 12 members, with six continuing MGIC directors and six former Radian directors.

Immediately following the merger, Curt S. Culver, Chairman of the Board and Chief Executive Officer of MGIC, will continue to serve as Chairman and Chief Executive Officer of the combined company, and Sanford A. Ibrahim, Chief Executive Officer and director of Radian, will serve as President, Chief Operating Officer and a director of the combined company.

The provisions described above are provided for in the merger agreement, and will also be provided for in new bylaw provisions to be adopted immediately prior to completion of the merger.

**Conditions to Completion of the Merger (Page 62)**

As more fully described in this joint proxy statement/prospectus and the merger agreement, the completion of the merger depends on a number of conditions being satisfied or waived, including:

adoption of the merger agreement by the stockholders of both companies;

receipt of governmental and regulatory approvals required to complete the merger;

there being no injunction, decree or order enjoining or prohibiting the merger;

authorization for listing of the MGIC common stock to be issued in the merger on the New York Stock Exchange;

the registration statement of which this document is a part must be declared effective by the Securities and Exchange Commission ( SEC ) and not be subject to a stop order or proceedings seeking a stop order;

the receipt by each party of a written legal opinion, dated as of the completion of the merger, to the effect that the merger will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;

the accuracy of each party's representations and warranties, subject to the material adverse effect standard in the merger agreement;

each party having performed and complied with its covenants in the merger agreement in all material respects; and

in the case of Radian's obligation to complete the merger, MGIC's amended and restated bylaws must have been amended to provide for, and MGIC's board of directors must adopt resolutions to approve, the agreed-upon structure of the board of directors and Chief Executive Officer and Chairman of the Board succession arrangements following the completion of the merger.

We cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

**Termination of the Merger Agreement (Page 64)**

We may agree to terminate the merger agreement before completing the merger, even after adoption of the merger agreement by our stockholders, if each of our boards of directors agrees to terminate.

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In addition, either of us may decide to terminate the merger agreement, even after adoption of the merger agreement by our stockholders, in various circumstances, including if:

any governmental entity that must grant a material required regulatory approval has denied approval of the merger and such denial has become final and nonappealable or any governmental entity has issued a final nonappealable order permanently enjoining or otherwise prohibiting the completion of the merger;

the merger is not completed on or before February 6, 2008, unless the failure to complete the merger by that date is due to the terminating party's failure to abide by the merger agreement;

there is a breach by the other party that would cause the failure of the closing conditions described above, unless the breach is capable of being, and is, cured within 45 days of notice of the breach;

the stockholders of either party fail to adopt the merger agreement;

the board of directors of the other party fails to recommend that its stockholders vote in favor of approving the merger agreement or withdraws, modifies or qualifies its recommendation in a manner adverse to the terminating party;

the board of directors of the other party recommends or endorses an acquisition proposal other than the merger agreement; or

the other party substantially fails to comply with its obligation to call a meeting of its stockholders and use its reasonable best efforts to cause its stockholders to adopt the merger agreement or breaches its non-solicitation covenant.

The merger agreement provides if the merger agreement is terminated in certain circumstances in connection with a third party completing an alternative acquisition or executing an agreement regarding an alternative transaction, MGIC or Radian may be required to pay a \$185 million termination fee to the other party. The termination fee may discourage other companies from seeking to acquire or merge with either MGIC or Radian.

### **Accounting Treatment of the Merger by MGIC (Page 58)**

MGIC will account for the merger as a purchase by MGIC of Radian for financial reporting purposes.

### **Risks Related to the Merger (Page 19)**

In evaluating the merger, the merger agreement or the issuance of shares of MGIC common stock in the merger, you should carefully read this joint proxy statement/prospectus and especially consider the factors discussed in the section entitled Risk Factors.

### **Appraisal Rights (Page 61)**

Under Wisconsin law, MGIC stockholders are not entitled to appraisal rights in connection with the merger. Under Delaware law, Radian stockholders are not entitled to appraisal rights in connection with the merger. For more information about appraisal rights, see the section entitled Merger Proposal to be Considered at the Annual Meetings of MGIC and Radian Appraisal Rights.



**MGIC Annual Meeting (Page 24)**

The MGIC annual meeting will be held on May 10, 2007, at 9:00 a.m. local time, at the Marcus Center for the Performing Arts, 929 North Water Street, Milwaukee, Wisconsin. At the MGIC annual meeting, MGIC stockholders will be asked:

to adopt the merger agreement;

to elect three directors, each for a three-year term;

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to ratify the appointment of PricewaterhouseCoopers LLP as MGIC's independent registered public accounting firm for 2007;

to approve the adjournment of the MGIC annual meeting, if necessary or appropriate, to solicit additional proxies; and

to act on such other business as may properly come before the MGIC annual meeting.

*Record Date.* Each MGIC stockholder may cast one vote at the MGIC annual meeting for each share of MGIC common stock that the stockholder owned at the close of business on March 9, 2007. At that date, there were 83,067,137 shares of MGIC common stock entitled to be voted at the MGIC annual meeting.

As of the MGIC record date, directors and executive officers of MGIC and their affiliates had the right to vote 960,809 shares of MGIC common stock, or approximately 1.15% of the outstanding MGIC common stock entitled to be voted at the MGIC annual meeting.

*Required Vote.* Adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of MGIC common stock entitled to vote at the MGIC annual meeting. Approval of the proposal relating to the adjournment of the MGIC annual meeting, if necessary or appropriate, to solicit additional proxies requires that the votes cast in favor of the proposal exceed the votes cast in opposition.

Because the affirmative vote of the holders of a majority of the outstanding shares of MGIC common stock entitled to vote at the MGIC annual meeting is required to adopt the merger agreement, the failure to vote by proxy or in person will have the same effect as a vote against this proposal. Abstentions and broker non-votes also will have the same effect as a vote against these proposals. Abstentions, failures to vote and broker non-votes will have no effect on any vote to adjourn the MGIC annual meeting, if necessary or appropriate, to solicit additional proxies.

Information about the vote required for other proposals at the MGIC annual meeting is included in Other Matters to be Considered at the MGIC Annual Meeting Proposal for the Election of Three Directors, Other Matters to be Considered at the MGIC Annual Meeting Proposal for the Ratification of the Appointment of Pricewaterhouse Coopers LLP and Other Matters to be Considered at the MGIC Annual Meeting Proposal to Approve the Adjournment of the MGIC Annual Meeting, which is included in the joint proxy statement/prospectus to be delivered to MGIC stockholders.

**Radian Annual Meeting (Page 27)**

The Radian annual meeting will be held on May 9, 2007 at 9:00 a.m. local time at the Ritz-Carlton Philadelphia, 10 Avenue of the Arts, Philadelphia, Pennsylvania 19102. At the Radian annual meeting, Radian stockholders will be asked:

to adopt the merger agreement;

to elect ten directors, each for a one-year term;

to ratify the appointment of Deloitte & Touche LLP as Radian's independent registered public accounting firm for 2007;

to approve the adjournment of the Radian annual meeting, if necessary or appropriate, to solicit additional proxies; and

to act on such other business as may be properly brought before the Radian annual meeting.

*Record Date.* Radian stockholders may cast one vote at the Radian annual meeting for each share of Radian common stock that was owned at the close of business on March 19, 2007. At that date, there were 80,260,253 shares of Radian common stock entitled to be voted at the Radian annual meeting.

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As of the Radian record date, directors and executive officers of Radian and their affiliates had the right to vote 231,689 shares of Radian common stock, or approximately 0.24% of the outstanding Radian common stock entitled to be voted at the Radian annual meeting.

*Required Vote.* To adopt the merger agreement, the holders of a majority of the outstanding shares of Radian common stock entitled to be voted must vote in favor of the merger agreement. A Radian stockholder's failure to vote, a broker non-vote or an abstention will have the same effect as a vote against the adoption of the merger agreement.

Information about the vote required for other proposals at the Radian annual meeting is included in *Other Matters to be Considered at the Radian Annual Meeting - Proposal for the Election of Ten Directors*, *Other Matters to be Considered at the Radian Annual Meeting - Proposal for the Ratification of the Appointment of Deloitte & Touche LLP*, *Other Matters to be Considered at the Radian Annual Meeting - Proposal to Approve the Adjournment of the Radian Annual Meeting*, which is included in the joint proxy statement/prospectus to be delivered to Radian stockholders.

## **Information About the Companies (Page 71)**

### ***MGIC Investment Corporation***

MGIC (NYSE: MTG), headquartered in Milwaukee, Wisconsin, is a holding company which, through its wholly-owned subsidiary Mortgage Guaranty Insurance Corporation, is a provider of private mortgage insurance in the United States with \$176.5 billion primary insurance in force covering 1.3 million mortgages as of December 31, 2006. During 2006, MGIC served approximately 3,600 lenders with locations across the country and in Puerto Rico, helping families achieve homeownership sooner by making affordable low downpayment mortgages a reality. In addition to mortgage insurance on first liens, MGIC, through other subsidiaries, provides lenders with various underwriting and other services and products related to home mortgage lending. MGIC, along with Radian, also has interests in Credit-Based Asset Servicing and Securitization LLC and Sherman Financial Group LLC, which are less than majority-owned joint ventures for each company. Credit-Based Asset Servicing and Securitization LLC is principally engaged in the business of investing in the credit risk of credit sensitive single-family residential mortgages. Sherman Financial Group LLC 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. Additional information about MGIC can be found at <http://www.mgic.com>. Information contained on the MGIC website is expressly not incorporated by reference into this joint proxy statement/prospectus.

MGIC's principal executive offices are located at 250 East Kilbourn Avenue, Milwaukee, Wisconsin 53202 and its telephone number is (414) 347-6480.

### ***Radian Group Inc.***

Radian (NYSE: RDN) is a global credit risk management company headquartered in Philadelphia, Pennsylvania with significant operations in New York and London. Radian develops innovative financial solutions by applying its core mortgage insurance and credit risk expertise as well as structured finance capabilities to the credit enhancement needs of the capital markets worldwide, primarily through credit insurance products. Radian also provides credit enhancement for public finance and other corporate and consumer assets on both a direct and reinsurance basis and, together with MGIC, holds interests in Credit-Based Asset Servicing and Securitization LLC and Sherman Financial Group LLC, which are less than majority-owned joint ventures for each company. Credit-Based Asset Servicing and Securitization LLC is principally engaged in the business of investing in the credit risk of credit sensitive single-family residential mortgages. Sherman Financial Group LLC 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. Additional information about Radian can be found at <http://www.radian.biz>. Information contained on the Radian website is expressly not incorporated by reference into this joint proxy statement/prospectus.

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Radian's principal executive offices are located at 1601 Market Street, Philadelphia, Pennsylvania 19103 and its telephone number is (215) 231-1000.

**The Merger is Intended to be Generally Tax-Free to Radian Stockholders, Except With Respect to Cash Received Instead of Fractional Shares (Page 55)**

The merger has been structured to qualify as a reorganization for federal income tax purposes, and it is a condition to our respective obligations to complete the merger that MGIC and Radian each receive a legal opinion to the effect that the merger will so qualify. In addition, in connection with the filing of the registration statement of which this document is a part, MGIC and Radian will each receive a legal opinion to the same effect. Accordingly, holders of Radian common stock generally will not recognize any gain or loss for federal income tax purposes on the exchange of their Radian common stock for MGIC common stock in the merger, except for any gain or loss that may result from the receipt of cash instead of a fractional share of MGIC common stock.

To review the tax consequences to Radian stockholders in greater detail, see Merger Proposal to be Considered at the Annual Meetings of MGIC and Radian Material Federal Income Tax Consequences of the Merger. **You should be aware that the tax consequences to you of the merger may depend upon your own situation. In addition, you may be subject to state, local or foreign tax laws that are not discussed in this document. You should therefore consult with your own tax advisor for a full understanding of the tax consequences to you of the merger.**

**Comparative Market Prices and Share Information (Page 73)**

MGIC common stock is quoted on the New York Stock Exchange under the symbol MTG. Radian common stock is quoted on the New York Stock Exchange under the symbol RDN. The following table sets forth the closing sale prices per share of MGIC common stock and Radian common stock in each case as reported on the New York Stock Exchange on February 5, 2007, the last full trading day before public announcement of the merger, and on April 4, 2007, the latest practicable date before the date of this joint proxy statement/prospectus.

	<b>MGIC Common Stock</b>	<b>Radian Common Stock</b>
February 5, 2007	\$ 62.93	\$ 60.84
April 4, 2007	\$ 57.58	\$ 53.59

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**SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF  
MGIC INVESTMENT CORPORATION**

Set forth below are highlights from MGIC's consolidated financial data at or for the years ended December 31, 2002 through 2006. You should read this information in conjunction with MGIC's consolidated financial statements and related notes, as well as the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in MGIC's Annual Report on Form 10-K for the year ended December 31, 2006, which we incorporate by reference in this document and from which this information is derived. See "Where You Can Find More Information."

	<b>Year Ended December 31,</b>				
	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>(In thousands of dollars, except per share data and where indicated)</b>				
<b>Summary of Operations</b>					
Revenues:					
Net premiums written	\$ 1,217,236	\$ 1,252,310	\$ 1,305,417	\$ 1,364,631	\$ 1,177,955
Net premiums earned	1,187,409	1,238,692	1,329,428	1,366,011	1,182,098
Investment income, net	240,621	228,854	215,053	202,881	207,516
Realized investment (losses) gains, net	(4,264)	14,857	17,242	36,862	29,113
Other revenue	45,403	44,127	50,970	79,657	65,836
Total revenues	1,469,169	1,526,530	1,612,693	1,685,411	1,484,563
Losses and expenses:					
Losses incurred, net	613,635	553,530	700,999	766,028	365,752
Underwriting and other expenses	290,858	275,416	278,786	302,473	265,633
Interest expense	39,348	41,091	41,131	41,113	36,776
Total losses and expenses	943,841	870,037	1,020,916	1,109,614	668,161
Income before tax and joint ventures	525,328	656,493	591,777	575,797	816,402
Provision for income tax	130,097	176,932	159,348	146,027	240,971
Income from joint ventures, net of tax	169,508	147,312	120,757	64,109	53,760
Net income	564,739	626,873	553,186	493,879	629,191
Weighted average common shares outstanding (in thousands)	84,950	92,443	98,245	99,022	104,214
Diluted earnings per share	\$ 6.65	\$ 6.78	\$ 5.63	\$ 4.99	\$ 6.04

Dividends per share	\$	1.00	\$	.525	\$	.2250	\$	.1125	\$	.10
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	<b>Year Ended December 31,</b>				
	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>(In thousands of dollars, except per share data and where indicated)</b>				
<b>Balance Sheet Data (at end of period):</b>					
Total investments	\$ 5,252,422	\$ 5,295,430	\$ 5,418,988	\$ 5,067,427	\$ 4,624,256
Total assets	6,621,671	6,357,569	6,380,691	5,917,387	5,300,303
Loss reserves	1,125,715	1,124,454	1,185,594	1,061,788	733,181
Short- and long-term debt	781,277	685,163	639,303	599,680	677,246
Shareholders equity	4,295,877	4,165,055	4,143,639	3,796,902	3,395,192
Book value per share	51.88	47.31	43.05	38.58	33.87
New primary insurance written (\$ millions)	58,242	61,503	62,902	96,803	92,532
New primary risk written (\$ millions)	15,937	16,836	16,792	25,209	23,403
New pool risk written (\$ millions)(1)	240	358	208	862	674
<b>Insurance in force (at year-end) (\$ millions):</b>					
Direct primary insurance	176,531	170,029	177,091	189,632	196,988
Direct primary risk	47,079	44,860	45,981	48,658	49,231
Direct pool risk(1)	3,063	2,909	3,022	2,895	2,568
<b>Primary loans in default ratios:</b>					
Policies in force	1,283,174	1,303,084	1,413,678	1,551,331	1,655,887
Loans in default	78,628	85,788	85,487	86,372	73,648
Percentage of loans in default	6.13%	6.58%	6.05%	5.57%	4.45%
Percentage of loans in default bulk	14.87%	14.72%	14.06%	11.80%	10.09%
<b>Insurance operating ratios (GAAP)(2):</b>					
Loss ratio	51.7%	44.7%	52.7%	56.1%	30.9%
Expense ratio	17.0%	15.9%	14.6%	14.1%	14.8%
Combined ratio	68.7%	60.6%	67.3%	70.2%	45.7%
<b>Risk-to-capital ratio (statutory)(3):</b>					
Mortgage Guaranty Insurance Corporation	6.4:1	6.3:1	6.8:1	8.1:1	8.7:1

(1) Represents contractual aggregate loss limits and, for the years ended December 31, 2006, 2005, 2004, 2003 and 2002, for \$4.4 billion, \$5.0 billion, \$4.9 billion, \$4.9 billion and \$3.0 billion, respectively, of risk without such limits, risk is calculated at \$4 million, \$51 million, \$65 million, \$192 million and \$147 million, respectively, for new risk written and \$473 million, \$469 million, \$418 million, \$353 million and \$161 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.
- (3) Mortgage Guaranty Insurance Corporation prepares its financial statements in accordance with accounting practices prescribed or permitted by the Wisconsin Insurance Department, which differ in certain respects from accounting principles generally accepted in the United States.

**Table of Contents****SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF  
RADIAN GROUP INC.**

Set forth below are highlights from Radian's consolidated financial data at or for the years ended December 31, 2002 through 2006. You should read this information in conjunction with Radian's consolidated financial statements and related notes, as well as the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in Radian's Annual Report on Form 10-K for the year ended December 31, 2006, which we incorporate by reference in this document and from which this information is derived. See "Where You Can Find More Information."

	2006	2005	2004	2003	2002
	(In millions, except per-share amounts and ratios)				
<b>Condensed Consolidated Statements of Income</b>					
Net premiums written	\$ 1,112.0	\$ 1,100.7	\$ 1,082.5	\$ 1,110.5	\$ 954.9
Net premiums earned	\$ 1,015.8	\$ 1,018.7	\$ 1,029.5	\$ 1,008.2	\$ 847.1
Net investment income	234.3	208.4	204.3	186.2	178.8
Net gains on securities	40.8	36.6	50.8	17.4	10.5
Change in fair value of derivative instruments	16.1	9.2	47.1	4.1	(13.0)
Other income	20.9	25.2	32.3	63.3	44.4
Total revenues	1,327.9	1,298.1	1,364.0	1,279.2	1,067.8
Provision for losses	369.3	390.6	456.8	476.1	243.4
Policy acquisition costs	111.6	115.9	121.8	128.5	100.8
Other operating expenses	242.6	226.0	205.7	211.1	175.3
Interest expense	48.1	43.0	34.7	37.5	28.8
Equity in net income of affiliates	257.0	217.7	180.6	105.5	81.8
Pretax income	813.3	740.3	725.6	531.5	601.3
Net income	582.2	522.9	518.7	385.9	427.2
Diluted net income per share(1)	\$ 7.08	\$ 5.91	\$ 5.33	\$ 3.95	\$ 4.27
Cash dividends declared per share	\$ .08	\$ .08	\$ .08	\$ .08	\$ .08
Average shares outstanding-diluted	82.3	88.7	97.9	98.5	99.5
<b>Condensed Consolidated Balance Sheets</b>					
Total assets	\$ 7,928.7	\$ 7,230.6	\$ 7,000.8	\$ 6,445.8	\$ 5,393.4
Total investments	5,745.3	5,513.7	5,470.1	5,007.4	4,200.3
Unearned premiums	943.7	849.4	770.2	718.6	618.1
Reserve for losses and loss adjustment expenses	842.3	801.0	801.0	790.4	624.6
Short-term and long-term debt	747.8	747.5	717.6	717.4	544.1

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Stockholders equity	4,067.6	3,662.9	3,689.1	3,225.8	2,753.4
Book value per share	\$ 51.23	\$ 44.11	\$ 39.98	\$ 34.31	\$ 29.42
<b>Selected Ratios</b>					
<b>Mortgage</b>					
<b>Insurance(2)</b>					
Loss ratio	42.9%	44.5%	49.2%	40.7%	29.4%
Expense ratio	29.2	26.7	26.6	25.8	26.6
Combined ratio	72.1%	71.2%	75.8%	66.5%	56.0%

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	2006	2005	2004	2003	2002
	(In millions, except per-share amounts and ratios)				
<b>Selected Ratios Financial Guaranty(2)</b>					
Loss ratio	10.1%	14.9%	26.0%	67.1%	26.2%
Expense ratio	52.2	55.7	45.9	38.8	33.0
Combined ratio	62.3%	70.6%	71.9%	105.9%	59.2%
<b>Other Data Mortgage Insurance</b>					
Primary new insurance written	\$ 40,117	\$ 42,592	\$ 44,820	\$ 68,362	\$ 48,767
Direct primary insurance in force	113,903	109,684	115,315	119,887	110,273
Direct primary risk in force	25,311	25,729	27,012	27,106	26,273
Total pool risk in force	2,991	2,711	2,384	2,415	1,732
Total other risk in force(3)	10,322	9,709	1,205	1,053	475
Persistency (twelve months ended)	67.3%	58.2%	58.8%	46.7%	57.0%
<b>Other Data Financial Guaranty(4):</b>					
Net premiums written	\$ 263	\$ 223	\$ 216	\$ 369	\$ 286
Net premiums earned	204	212	214	249	187
Net par outstanding	103,966	76,652	66,720	76,997	66,337
Net debt service outstanding	143,728	110,344	101,620	117,900	104,756

- (1) Diluted net income per share and average share information in accordance with Statement of Financial Accounting Standards No. 128, Earnings Per Share. Amounts reflect the inclusion of shares underlying contingently convertible debt, which was redeemed on August 1, 2005. See Note 2 of Notes to Radian's Consolidated Financial Statements, incorporated by reference herein.
- (2) Calculated on a GAAP basis using provision for losses to calculate the loss ratio and policy acquisition costs and other operating expenses to calculate the expense ratio as a percentage of net premiums earned.
- (3) Consists mostly of international insurance risk, second-lien mortgage insurance risk and other structured mortgage-related insurance risk.
- (4) Reflects the 2004 and 2005 recaptures of previously ceded business. See Note 2 of Notes to Radian's Consolidated Financial Statements, incorporated by reference herein.

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**SELECTED COMBINED CONDENSED CONSOLIDATED  
UNAUDITED PRO FORMA FINANCIAL DATA**

The following table shows information about our financial condition and operations, including per share data, after giving effect to the merger. This information is called unaudited pro forma information in this document. The table sets forth the information as if the merger had become effective as of December 31, 2006, with respect to financial condition, and as of January 1, 2006, with respect to operations data. The unaudited pro forma data in the tables assume that the merger is accounted for as an acquisition by MGIC of Radian using the purchase method of accounting. We have adjusted the historical consolidated financial information to give effect to pro forma events that are (1) directly attributable to the merger, (2) factually supportable and (3) with respect to the statement of income, expected to have a continuing impact on the combined results. The unaudited pro forma financial information includes adjustments to record the assets and liabilities of Radian at their estimated fair values and is subject to further adjustment as additional information becomes available and as additional analyses are performed. This table should be read in conjunction with, and is qualified in its entirety by reference to, the historical financial statements, including the notes thereto, of MGIC and Radian which we incorporate by reference in this document and the more detailed unaudited pro forma financial information, including the notes to such information, appearing elsewhere in this document. See [Where You Can Find More Information](#) and [Unaudited Pro Forma Financial Information](#).

We anticipate that the merger will provide the combined company with financial benefits that include reduced operating expenses. Conversely, we anticipate that initially the revenues of the combined company following the merger will be lower than the combined revenues of MGIC and Radian prior to the merger. The unaudited pro forma financial information does not reflect the impact of expected cost savings, anticipated revenue reductions, the impact of restructuring costs or the amortization of other intangibles that may be identified upon further analysis and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during these periods.

**Unaudited Pro Forma Combined  
(In millions, except per share data)**

**For the year ended December 31, 2006**

Total revenues	\$ 2,797
Income from continuing operations	1,040
Earnings per common share – continuing operations:	
Basic	\$ 6.39*
Diluted	\$ 6.33*

**At December 31, 2006**

Total investments	\$ 11,000
Total assets	15,051
Loss reserves	1,968
Debt	1,542
Total liabilities	5,587
Shareholders' equity	9,464

(\*) As described in the footnote to the unaudited pro forma condensed combined income statement on page 76, assuming that the parties complete the merger, the combined company intends to repurchase shares of common stock

for an aggregate purchase price of approximately \$1.0 billion and for that purpose anticipates using available funds and incurring indebtedness of approximately \$650 million. The unaudited pro forma condensed combined financial statements do not give effect to these anticipated transactions as they do not qualify as appropriate bases for pro forma adjustments under current SEC guidance. Based upon the assumptions in the footnote referred to above, adjusting the pro forma combined results to also give effect to these transactions would result in basic earnings per share of \$6.84 and diluted earnings per share of \$6.77.

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**UNAUDITED COMPARATIVE PER SHARE DATA**

The following table sets forth for MGIC common stock and Radian common stock certain historical, unaudited pro forma and unaudited pro forma-equivalent per share financial information. The unaudited pro forma and unaudited pro forma-equivalent per share information gives effect to the merger as if the merger had been effective as of December 31, 2006, with respect to financial condition, and as of January 1, 2006, with respect to operations. The unaudited pro forma data in the tables assumes that the merger is accounted for as an acquisition by MGIC of Radian using the purchase method of accounting. See Merger Proposal to be Considered at the Annual Meetings of MGIC and Radian Accounting Treatment. The information in the following table is based on, and should be read together with, the historical financial information that has been presented in the prior filings of MGIC and Radian with the Securities and Exchange Commission and the unaudited pro forma financial information that appears elsewhere in this document. See Where You Can Find More Information and Unaudited Pro Forma Financial Information.

We anticipate that the merger will provide the combined company with financial benefits that include reduced operating expenses. Conversely, we anticipate that initially the revenues of the combined company following the merger will be lower than the combined revenues of MGIC and Radian prior to the merger. The unaudited pro forma information does not reflect the impact of these expected cost savings, anticipated revenue reductions, the impact of merger-related costs or the amortization of other intangibles that may be identified upon further analysis and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during these periods.



**Table of Contents****At and for the Year Ended December 31, 2006**

	<b>Historical MGIC</b>	<b>Historical Radian</b>	<b>Unaudited Pro Forma Combined</b>	<b>Unaudited Pro Forma Equivalent Radian</b>
<b>(In millions, except per share data)</b>				
<b>Basic Earnings per Common Share from Continuing Operations</b>				
Income from continuing operations	\$ 565	\$ 582	\$ 1,040	
Income from continuing operations available to common shareholders	\$ 565	\$ 582	\$ 1,040	
Weighted average basic common shares outstanding	84.3	81.3	162.8	
Basic earning per common share	\$ 6.70	\$ 7.16	\$ 6.39(4)	\$ 6.17(1)
<b>Diluted Earnings per Common Share from Continuing Operations</b>				
Income from continuing operations	\$ 565	\$ 582	\$ 1,040	
Income from continuing operations available to common shareholders	\$ 565	\$ 582	\$ 1,040	
Weighted average diluted common shares outstanding	84.9	82.3	164.4	
Diluted earning per common share	\$ 6.65	\$ 7.08	\$ 6.33(4)	\$ 6.11(1)
<b>Dividends per Common Share</b>				
Common stock dividends	\$ 85	\$ 7		
Dividends per common share	\$ 1.00	\$ 0.08	\$ 1.00(3)	\$ 0.97(2)
<b>Book Value per Common Share</b>				
Total common shareholders equity	\$ 4,296	\$ 4,068	\$ 9,464	
Common shares outstanding at period-end	82.8	79.4	159.5	
Book value per common share	\$ 51.88	\$ 51.23	\$ 59.34	\$ 57.31(1)

(1) Pro forma amounts multiplied by 0.9658 (the ratio of exchange).

(2) Historical amounts for MGIC multiplied by 0.9658 (the ratio of exchange).

(3) The annual dividend of the combined company is expected to remain at the current annual MGIC dividend of \$1.00 per share.

(4) As described in the footnote to the unaudited pro forma condensed combined income statement on page 76, assuming that the parties complete the merger, the combined company intends to repurchase shares of common stock for an aggregate purchase price of approximately \$1.0 billion and for that purpose anticipates using available funds and incurring indebtedness of approximately \$650 million. The unaudited pro forma condensed combined financial statements do not give effect to these anticipated transactions as they do not qualify as appropriate bases for pro forma adjustments under current SEC guidance. Based upon the assumptions in the footnote referred to above, adjusting the pro forma combined results to also give effect to these transactions would result in basic earnings per share of \$6.84 and diluted earnings per share of \$6.77.



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**RISK FACTORS**

*In addition to the other information contained in or incorporated by reference into this joint proxy statement/prospectus, you should carefully consider the following risk factors relating to the merger and the business of the combined company in deciding whether to vote for adoption of the proposals described in this joint proxy statement/prospectus.*

**Because the market price of MGIC common stock may fluctuate, you cannot be sure of the market value of the MGIC common stock that MGIC will issue or that Radian stockholders will receive in the merger.**

Upon completion of the merger, each share of Radian common stock that Radian stockholders hold immediately prior to the merger will be converted into 0.9658 shares of common stock of MGIC. This exchange ratio will not be adjusted for changes in the market price of either MGIC common stock or Radian common stock. Changes in the price of MGIC common stock prior to the merger will affect the value that Radian stockholders will receive on the date of the merger and that MGIC will pay. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in our businesses, operations and prospects and regulatory considerations, many of which factors are beyond our control. Neither of us is permitted to terminate the merger agreement or resolicit the vote of our stockholders solely because of changes in the market price of either of our common stock.

The prices of MGIC common stock and Radian common stock at the closing of the merger may vary from their respective prices on the date the merger agreement was executed, on the date of this joint proxy statement/prospectus and on the date of the MGIC and Radian annual meetings of stockholders. As a result, the value represented by the exchange ratio will also vary. For example, based on the range of closing prices of MGIC common stock during the period from February 5, 2007, the last full trading day before public announcement of the merger, through April 4, 2007, the exchange ratio represented a value ranging from a high of \$67.69 to a low of \$54.63 for each share of Radian common stock. **Because the date that the merger is completed will be later than the date of the MGIC and Radian annual meetings of stockholders, at the time of your meeting, you will not know the market value of the MGIC common stock that Radian stockholders will receive upon completion of the merger.**

**We must obtain several governmental consents to complete the merger, which, if delayed, not granted or granted with unacceptable conditions may jeopardize or delay the merger, result in additional expense or reduce the anticipated benefits of the transaction.**

We must obtain specified approvals and consents in a timely manner from federal and state governmental authorities prior to the completion of the merger. If we do not receive these approvals on terms that satisfy the merger agreement, then we will not be obligated to complete the merger. The governmental authorities from which we seek approvals have broad discretion in administering relevant laws and regulations. As a condition to the approval of the merger, governmental authorities may impose requirements, limitations or costs that could negatively affect the way the combined company conducts business. If MGIC and Radian agree to any material conditions or restrictions to obtain any approvals required to complete the merger, these conditions or restrictions could adversely affect the integration of the businesses of MGIC and Radian or could reduce the anticipated benefits of the merger.

**If we fail to realize the anticipated cost savings and other benefits of the merger or fail to sell partial interests in two joint ventures for the amount anticipated, the merger could be dilutive to the combined company's earnings per share or otherwise adverse to our stockholders.**

The success of the merger will depend, in part, on our ability to realize the anticipated cost savings from combining the businesses of MGIC and Radian. Our managements have estimated that approximately \$128 million of annual pre-tax cost savings would be realized from the merger. However, to realize the anticipated benefits from the merger, we must successfully combine the businesses of MGIC and Radian in a manner that permits those cost savings to be realized. If we are not able to successfully achieve these

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objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected. Such a failure could result in a decrease in the combined company's earnings per share. In addition, we anticipate that initially the revenues of the combined company following the merger will be lower than the combined revenues of MGIC and Radian prior to the merger. If the decline in revenue is greater than anticipated, the combined company's earnings per share could be negatively affected.

At the completion of the merger, in connection with our efforts to maintain financial strength ratings of the combined company's mortgage insurance business at not less than the minimum required to conduct such business, we plan to sell a portion of the combined company's interest in each of Credit-Based Asset Servicing and Securitization LLC and Sherman Financial Group LLC. We plan to use the proceeds to repurchase stock of the combined company. The sales of these interests may result in lower than anticipated proceeds. If the proceeds are substantially lower than we anticipate, the amount of the combined company's stock that we repurchase could be affected. A reduction in the amount of stock repurchased could lower the combined company's earnings per share.

MGIC and Radian have operated and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies, any of which could adversely affect our ability to maintain relationships with clients and employees or our ability to achieve the anticipated benefits of the merger or could reduce our earnings.

**The market price of the combined company's shares after the merger may be affected by factors different from those affecting the shares of MGIC or Radian currently.**

The businesses of MGIC and Radian differ in some respects and, accordingly, the results of operations of the combined company and the market price of the combined company's shares of common stock may be affected by factors different from those currently affecting the independent results of operations of each of MGIC or Radian. For a discussion of the businesses of MGIC and Radian and of factors to consider in connection with those businesses, see the documents we incorporate by reference into this joint proxy statement/prospectus and refer to under "Where You Can Find More Information."

**Some directors and executive officers of MGIC and Radian have interests and arrangements with respect to the merger that are different from, or in addition to, those of MGIC and Radian stockholders.**

When considering the recommendation of the MGIC and Radian boards of directors with respect to the merger, you should be aware that some directors and executive officers of MGIC and Radian have interests in the merger that are different from, or in addition to, their interests as stockholders and the interests of stockholders generally. These interests include:

new employment agreements for Sanford A. Ibrahim, Chief Executive Officer of Radian, Mark A. Casale, President of Radian Guaranty Inc., Radian's principal mortgage insurance subsidiary, and Teresa A. Bryce, Executive Vice President, General Counsel and Secretary of Radian, which will become effective upon the completion of the merger and, in the case of Mr. Ibrahim's agreement, supersede his existing agreement;

appointment of certain persons to be executive officers or senior officers of the combined company after the merger;

payments under Radian's change of control agreements with executive officers, which may be triggered under certain circumstances if the executive officer's employment terminates or is substantially changed following the merger;

accelerated vesting and exercisability of stock options and other equity awards issued under Radian's equity compensation plans; and

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appointment of MGIC directors and Radian directors to the combined company's board of directors following the merger.

As a result of these interests, these directors and executive officers may be more likely to support and to vote to approve the merger agreement than if they did not have these interests. Stockholders should consider whether these interests may have influenced those directors and executive officers to support or recommend approval of the merger. As of the close of business on the record date for the MGIC annual meeting, MGIC directors and executive officers and their affiliates were entitled to vote approximately 1.15% of the then-outstanding shares of MGIC common stock. See *Merger Proposal to be Considered at the Annual Meetings of MGIC and Radian - Interests of MGIC Directors and Officers in the Merger*. As of the close of business on the record date for the Radian annual meeting, Radian directors and executive officers were entitled to vote approximately 0.24% of the then-outstanding shares of Radian common stock. See *Merger Proposal to be Considered at the Annual Meetings of MGIC and Radian - Interests of Radian Directors and Officers in the Merger*.

**The combined company may have difficulty integrating MGIC and Radian and may incur substantial costs in connection with the integration.**

The combined company may experience material unanticipated difficulties or expenses in connection with integrating MGIC and Radian, especially given the relatively large size of the merger. Integrating MGIC and Radian will be a complex, time-consuming and expensive process. Before the merger, MGIC and Radian operated independently, each with its own business, products, customers, employees, culture and systems.

The resulting company may face substantial difficulties, costs and delays in integrating MGIC and Radian. These factors may include:

perceived adverse changes in product and service offerings available to clients or client service standards, whether or not these changes do, in fact, occur;

conditions imposed by regulators in connection with their decisions whether to approve the merger;

potential charges to earnings resulting from the application of purchase accounting to the transaction;

the retention of existing clients, key sales representatives and vendors of each company; and

retaining and integrating management and other key employees of the combined company.

After the merger, we may seek to combine certain operations and functions using common information and communication systems, operating procedures, financial controls and human resource practices, including training, professional development and benefit programs. We may be unsuccessful or delayed in implementing the integration of these systems and processes.

Any one or all of these factors may cause increased operating costs, worse than anticipated financial performance or the loss of clients, employees and agents. Many of these factors are outside the control of either company.

**The merger agreement limits MGIC's and Radian's ability to pursue an alternative acquisition proposal and requires MGIC or Radian to pay a termination fee of \$185 million under limited circumstances relating to alternative acquisition proposals.**

The merger agreement prohibits MGIC and Radian from initiating, soliciting, encouraging or facilitating certain alternative acquisition proposals with any third party, subject to exceptions set forth in the merger agreement. See The Merger Agreement No Solicitation. The merger agreement also provides for the payment by MGIC or Radian of a termination fee of \$185 million if the merger agreement is terminated in certain circumstances in connection with a third party completing an alternative acquisition or executing an agreement regarding an alternative transaction. See Merger Agreement Termination.



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These provisions limit MGIC's and Radian's ability to pursue offers from third parties that could result in greater value to MGIC's or Radian's stockholders. The obligation to pay the termination fee also may discourage a third party from pursuing an alternative acquisition proposal.

**The merger is subject to certain closing conditions that, if not satisfied or waived, will result in the merger not being completed, which may cause the market price of MGIC common stock or Radian common stock to decline.**

The merger is subject to customary conditions to closing, including the receipt of required regulatory approvals and approvals of the MGIC and Radian stockholders. If any condition to the merger is not satisfied or waived, to the extent permitted by law or New York Stock Exchange rule, the merger will not be completed. In addition, MGIC and Radian may terminate the merger agreement under certain circumstances. If MGIC and Radian do not complete the merger, the market price of MGIC common stock or Radian common stock may decline to the extent that the current market prices of those shares reflect a market assumption that the merger will be completed. Further, whether or not the merger is completed, MGIC and Radian will also be obligated to pay certain investment banking, financing, legal and accounting fees and related expenses in connection with the merger, which could negatively impact results of operations when incurred. In addition, neither company would realize any of the expected benefits of having completed the merger. If the merger is not completed, MGIC and Radian cannot be certain that additional risks will not materialize or not materially adversely affect the business, financial results, financial condition and stock prices of MGIC or Radian. For more information on closing conditions to the merger agreement, see the section entitled "Merger Agreement - Conditions to Completion of the Merger."

**Upon completion of the merger, certain of Radian's financial guaranty reinsurance customers will have the right to recapture reinsurance business previously assumed by Radian.**

Upon completion of the merger, certain of Radian's financial guaranty reinsurance customers will have the right to recapture reinsurance business previously assumed by Radian. At December 31, 2006, Radian had assumed approximately \$10 billion of par in force and approximately \$70 million of unearned premium reserves (a small portion of which is not subject to recapture) from these customers. If all this reinsurance business were recaptured, we estimate that the combined company would have to disburse approximately \$55 million in cash to settle the recaptures. We cannot be certain whether any of these customers will recapture all or any portion of this business upon completion of the merger or of the exact impact of any recapture.

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This joint proxy statement/prospectus contains or incorporates by reference a number of forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 regarding MGIC and Radian and may include statements about the period following the completion of the merger. You can find many of these statements by looking for words such as plan, believe, expect, intend, anticipate, estimate, project, potential or other similar expressions. Such statements include, but are not limited to, statements about the benefits of the merger, including future financial and operating results, and MGIC's and Radian's plans, objectives, expectations and intentions. Such statements involve risks and uncertainties that may cause results to differ materially from those set forth in these statements.

The ability of MGIC and Radian to predict results or the actual effects of its plans and strategies is inherently uncertain and the merger itself creates additional uncertainty. Accordingly, actual results may differ materially from anticipated results. The factors described in **Risk Factors** and the following factors, among others, could cause actual results to differ materially from those set forth in the forward-looking statements:

the risk that the businesses of MGIC and Radian will not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected;

cost savings and other synergies from the merger may not be fully realized or realized within the expected timeframe;

revenues following the merger may be lower than expected;

customer and employee relationships and business operations may be disrupted by the merger;

the ability to obtain required governmental and stockholder approvals, and the ability to complete the merger on the expected timeframe;

possible changes in economic and business conditions;

possible changes in mortgage and credit insurance policies, and laws and regulations relating thereto;

competition and its effect on pricing, spending, third-party relationships and revenues;

movements in market interest rates and secondary market volatility;

potential sales of assets in connection with the merger;

litigation relating to the merger;

legislative and regulatory changes affecting demand for private mortgage insurance or financial guaranty insurance; or

downgrades or threatened downgrades of the insurance financial-strength ratings assigned by the major ratings agencies to Radian's and MGIC's operating subsidiaries.

Because such forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. MGIC stockholders and Radian stockholders are cautioned not to place undue reliance on such statements, which speak only as of the date of this joint proxy statement/prospectus or the date of any document incorporated by reference. Neither MGIC nor Radian undertakes any obligation to update such forward-looking statements to reflect events or circumstances after the date of this joint proxy statement/prospectus or to reflect the occurrence of unanticipated events.

All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this joint proxy statement/prospectus and attributable to MGIC, Radian or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

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**THE MGIC ANNUAL MEETING**

**Date, Time and Place**

The MGIC annual meeting will be held on May 10, 2007, at 9:00 a.m. local time at the Marcus Center for the Performing Arts, 929 North Water Street, Milwaukee, Wisconsin.

**Matters to be Considered**

At the MGIC annual meeting, MGIC stockholders will be asked to:

adopt the merger agreement;

elect three directors, each for a three-year term;

ratify the appointment of PricewaterhouseCoopers LLP as MGIC's independent registered public accounting firm for 2007;

approve the adjournment of the MGIC annual meeting, if necessary or appropriate, to solicit additional proxies; and

transact such other business as may properly come before the annual meeting or any adjournment or postponement of the meeting.

**The MGIC board of directors recommends that MGIC stockholders vote FOR the proposal to adopt the merger agreement. For the reasons for this recommendation, see Merger Proposal to be Considered at the Annual Meetings of MGIC and Radian MGIC's Reasons for the Merger; Recommendation of MGIC's Board of Directors. The MGIC board of directors also recommends that you vote FOR each of the director nominees listed under the section entitled Other Matters to be Considered at the MGIC Annual Meeting Proposal for the Election of Three Directors, FOR the ratification of the selection of PricewaterhouseCoopers LLP as MGIC's independent registered public accounting firm for fiscal 2007, and FOR the approval of the adjournment of the MGIC annual meeting, if necessary or appropriate, to solicit additional proxies.**

**Proxies**

You should complete and return the proxy card accompanying this document to ensure that your vote is counted at the MGIC annual meeting, regardless of whether you plan to attend the MGIC annual meeting. If your shares are held in nominee or street name you will receive separate voting instructions from your broker or nominee with your proxy materials. Although most brokers and nominees offer telephone and internet voting, availability and specific processes will depend on their voting arrangements. If your shares are not held in street name, you can revoke the proxy at any time before the vote is taken at the MGIC annual meeting by submitting to MGIC's corporate secretary written notice of revocation or a properly executed proxy of a later date, or by attending the MGIC annual meeting and voting in person. Written notices of revocation and other communications about revoking MGIC proxies should be addressed to:

MGIC Investment Corporation  
250 East Kilbourn Avenue

Milwaukee, Wisconsin 53202  
Attention: Jeffrey H. Lane  
Senior Vice President, Secretary and General Counsel

If your shares are held in street name, you should follow the instructions of your broker regarding the revocation of proxies.

All shares represented by valid proxies that we receive through this solicitation, and that are not revoked, will be voted in accordance with the instructions on the proxy card. If you make no specification on your proxy card as to how you want your shares voted before signing and returning it, your proxy will be voted **FOR** the adoption of the merger agreement, **FOR** each of the director nominees described herein, **FOR**

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the ratification of the selection of PricewaterhouseCoopers LLP as MGIC's independent registered public accounting firm for 2007, and **FOR** the approval of the adjournment of the MGIC annual meeting, if necessary or appropriate, to solicit additional proxies. The MGIC board of directors is currently unaware of any other matters that may be presented for action at the MGIC annual meeting. If other matters properly come before the MGIC annual meeting, or at any adjournment or postponement thereof, we intend that shares represented by properly submitted proxies will be voted, or not voted, by and at the discretion of the persons named as proxies on the proxy card.

## **Solicitation of Proxies**

We will bear the entire cost of soliciting proxies from you. In addition to solicitation of proxies by mail, we will request that banks, brokers and other record holders send proxies and proxy material to the beneficial owners of MGIC common stock and secure their voting instructions, if necessary. We will reimburse the record holders for their reasonable expenses in taking those actions. We have also made arrangements with D.F. King & Co., Inc. to assist us in soliciting proxies and have agreed to pay them \$12,500 plus reasonable expenses for these services. If necessary, MGIC may also use several of its regular employees, who will not be specially compensated, to solicit proxies from MGIC stockholders, either personally or by telephone, email, facsimile or letter.

## **Record Date**

The MGIC board of directors has fixed the close of business on March 9, 2007 as the record date for determining the MGIC stockholders entitled to receive notice of and to vote at the MGIC annual meeting. At that time, 83,067,137 shares of MGIC common stock were outstanding, held by approximately 151 holders of record. As of the record date, directors and executive officers of MGIC and their affiliates had the right to vote 960,809 shares of MGIC common stock, representing approximately 1.15% of the shares entitled to vote at the MGIC annual meeting. MGIC currently expects that its directors and executive officers will vote such shares **FOR** all matters scheduled to be presented for a vote at the MGIC annual meeting.

## **Quorum and Vote Required to Approve the Merger Agreement**

The presence, in person or by properly executed proxy, of the holders of a majority of the outstanding shares of MGIC common stock is necessary to constitute a quorum at the annual meeting. Abstentions and broker non-votes will be counted for the purpose of determining whether a quorum is present.

Adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of MGIC common stock entitled to vote at the MGIC annual meeting. Approval of the proposal relating to the adjournment of the MGIC annual meeting, if necessary or appropriate, to solicit additional proxies requires that the votes cast in favor of the proposal exceed the votes cast in opposition. You are entitled to one vote for each share of MGIC common stock you held as of the record date.

**Because the affirmative vote of the holders of a majority of the outstanding shares of MGIC common stock entitled to vote at the MGIC annual meeting is required to adopt the merger agreement, the failure to vote by proxy or in person will have the same effect as a vote against the merger agreement. Abstentions and broker non-votes also will have the same effect as a vote against the merger agreement. Accordingly, the MGIC board of directors urges MGIC stockholders to complete, date and sign the accompanying proxy card and return it promptly in the enclosed postage-paid envelope.**

Abstentions, failures to vote, votes withheld and broker non-votes will have no effect on the vote to adjourn the annual meeting, if necessary or appropriate, to solicit additional proxies.

**Dissenters Rights of Appraisal**

Holders of MGIC common stock will not have any appraisal rights under the Wisconsin Business Corporation Law or under MGIC's articles of incorporation in connection with the merger, and MGIC will not independently provide holders of MGIC common stock with any such rights.

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**Participants in Certain MGIC Plans**

If you are a participant in MGIC's Profit Sharing and Savings Plan and Trust, please note that the enclosed proxy card also constitutes the voting instruction form for shares allocated to you under such plan and covers all shares you are entitled to vote under the plan, in addition to shares you may hold directly. Signing and returning the proxy card will enable voting of all shares, including those held in such plan.

**Voting by Telephone or the Internet**

Many stockholders of MGIC whose shares are registered in the name of a brokerage firm, bank or other nominee have the option to submit their voting instructions electronically by telephone or the internet. Such MGIC stockholders should check the voting instructions forwarded by their broker, bank or other holder of record to see which options are available. MGIC stockholders of record may not vote by telephone or the internet.



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**THE RADIAN ANNUAL MEETING**

**Date, Time and Place**

The Radian annual meeting will be held on May 9, 2007 at 9:00 a.m. local time at the Ritz-Carlton Philadelphia, 10 Avenue of the Arts, Philadelphia, Pennsylvania 19102.

**Matters to be Considered**

At the Radian annual meeting, the Radian stockholders will be asked to:

adopt the merger agreement;

elect ten directors, each for a one-year term;

ratify the appointment of Deloitte & Touche LLP as Radian's independent registered public accounting firm for 2007;

approve the adjournment of the Radian annual meeting, if necessary or appropriate, to solicit additional proxies; and

transact such other business as may properly come before the annual meeting or any adjournment or postponement of the meeting.

**The Radian board of directors recommends that Radian stockholders vote FOR each of these proposals.**

**Proxies**

You should complete and return the proxy card accompanying this document to ensure that your vote is counted at the Radian annual meeting, regardless of whether you plan to attend the Radian annual meeting. If your shares are held in nominee or street name you will receive separate voting instructions from your broker or nominee with your proxy materials. Although most brokers and nominees offer telephone and internet voting, availability and specific processes will depend on their voting arrangements. If your shares are not held in street name, you can revoke the proxy at any time before the vote is taken at the Radian annual meeting by submitting to Radian's Secretary written notice of revocation or a properly executed proxy of a later date, or by attending the Radian annual meeting and voting in person. Attendance at the meeting, by itself, will not constitute revocation of a proxy. Written notices of revocation and other communications about revoking Radian proxies should be addressed to:

Radian Group Inc.  
1601 Market Street  
Philadelphia, Pennsylvania 19103  
Attention: Teresa A. Bryce  
Executive Vice President,  
General Counsel and Secretary

If your shares are held in street name, you should follow the instructions of your broker regarding the revocation of proxies.

All shares represented by valid proxies that we receive through this solicitation, and that are not revoked, will be voted in accordance with the instructions on the proxy card. If you make no specification on your proxy card as to how you want your shares voted before signing and returning it, your proxy will be voted **FOR** the adoption of the merger agreement, **FOR** each of the director nominees described herein (and, if unforeseen circumstances make it necessary for our board of directors to substitute another person for any of the nominees, your shares will be voted for that other person), **FOR** the ratification of the selection of Deloitte & Touche LLP as Radian's independent registered public accounting firm for 2007, and **FOR** the proposal to adjourn the annual meeting, if necessary or appropriate, to solicit additional proxies. The Radian board of directors is currently unaware of any other matters that may be presented for action at the Radian

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annual meeting. If other matters properly come before the Radian annual meeting, or at any adjournment or postponement thereof, we intend that shares represented by properly submitted proxies will be voted, or not voted, by and at the discretion of the persons named as proxies on the proxy card.

**Radian stockholders should not send stock certificates with their proxy cards. If the merger is completed, Radian stockholders will need to exchange their current stock certificates for MGIC stock certificates. Upon completion of the merger, former Radian stockholders will be mailed a transmittal form with instructions on how to exchange their Radian stock certificates for MGIC stock certificates.**

## **Solicitation of Proxies**

We will bear the entire cost of soliciting proxies from you. In addition to solicitation of proxies by mail, we will request that banks, brokers and other record holders send proxies and proxy materials to the beneficial owners of Radian common stock and secure their voting instructions, if necessary. We will reimburse the record holders for their reasonable expenses in taking those actions. We have also made arrangements with Georgeson Inc. to assist us in soliciting proxies and have agreed to pay them a fee not expected to exceed \$15,000 plus reasonable expenses for these services. If necessary, we may use several of our regular employees or directors, who will not be specially compensated, but who will be entitled to reimbursement for actual expenses incurred in connection with the solicitation, to solicit proxies from Radian stockholders, either personally or by telephone, email, facsimile or letter.

## **Record Date**

The Radian board of directors has fixed the close of business on March 19, 2007 as the record date for determining the Radian stockholders entitled to receive notice of and to vote at the Radian annual meeting. At that time, 80,260,253 shares of Radian common stock were outstanding, held by approximately 111 holders of record. As of the record date, directors and executive officers of Radian and their affiliates had the right to vote 231,689 shares of Radian common stock, representing approximately 0.24% of the shares entitled to vote at the Radian annual meeting. Radian currently expects that its directors and executive officers will vote such shares **FOR** all matters scheduled to be presented for a vote at the Radian annual meeting.

## **Quorum and Vote Required to Approve the Merger Agreement**

The presence, in person or by properly executed proxy, of the holders of a majority of the outstanding shares of Radian common stock entitled to vote is necessary to constitute a quorum at the Radian annual meeting. Abstentions and broker non-votes will be counted for the purpose of determining whether a quorum is present.

Assuming a quorum is present, adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Radian common stock entitled to vote at the Radian annual meeting. Approval of the proposal relating to the adjournment of the annual meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote thereon. You are entitled to one vote for each share of Radian common stock you held as of the record date.

**Because the affirmative vote of the holders of a majority of the outstanding shares of Radian common stock entitled to vote at the Radian annual meeting is required to adopt the merger agreement, the failure to vote by proxy or in person will have the same effect as a vote against the merger agreement. Abstentions and broker non-votes also will have the same effect as a vote against the merger. Accordingly, the Radian board of directors urges Radian stockholders to complete, date and sign the accompanying proxy card and return it promptly in the enclosed postage-paid envelope.**

Failures to vote and broker non-votes will have no effect on the adoption of the proposal to adjourn the annual meeting, if necessary or appropriate, to solicit additional proxies; however, abstentions, because they are considered shares entitled to vote, will have the same effect as votes against such proposals.

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**Appraisal Rights**

Radian stockholders are not entitled to appraisal rights under the Delaware General Corporation Law or under Radian's charter or bylaws in connection with the merger, and Radian will not independently provide stockholders with any such rights.

**Participants in Certain Radian Plans**

Participants in Radian's Savings Incentive Plan, please note that the enclosed proxy card also constitutes the voting instruction form for shares allocated to you under the plan and covers all shares you are entitled to vote under the plan, in addition to shares you may hold directly. Signing and returning the proxy card will enable voting of all shares, including those held under the plan.

**Voting by Telephone or the Internet**

Many stockholders of Radian whose shares are registered in the name of a brokerage firm, bank or other nominee have the option to submit their proxies or voting instructions electronically by telephone or the internet. Such Radian stockholders should check the voting instructions forwarded by their broker, bank or other holder of record to see which options are available. Radian stockholders of record may not vote by telephone or the internet.

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**MERGER PROPOSAL TO BE CONSIDERED  
AT THE ANNUAL MEETINGS OF MGIC AND RADIAN**

*The following discussion contains material information pertaining to the merger. This discussion is a summary only and may not contain all of the information that is important to you. A copy of the merger agreement is attached to this document as **Annex A** and is incorporated by reference herein. We encourage you to read and review the merger agreement as well as the discussion in this joint proxy statement/prospectus.*

**Structure**

The MGIC board of directors and the Radian board of directors have each unanimously approved the merger agreement, which provides for the merger of Radian with and into MGIC, with MGIC as the surviving corporation. Each share of Radian common stock outstanding prior to the merger will be converted, upon completion of the merger, into the right to receive 0.9658 shares of the common stock of MGIC. We sometimes refer to this ratio as the exchange ratio. As a result of the merger, shares of Radian common stock issued and outstanding immediately prior to the merger will be cancelled.

**Background of the Merger**

Each of MGIC's and Radian's board of directors has from time to time engaged with senior management in strategic reviews, and has considered ways to enhance its respective performance and prospects in light of competitive and other relevant developments. These strategic reviews have focused on, among other things, the business environment facing mortgage and credit risk insurers generally, as well as conditions and ongoing consolidation in the residential mortgage industry. For MGIC and Radian, these reviews have also included periodic discussions with respect to potential transactions that would further their respective strategic objectives, and the potential benefits and risks of those transactions, including for Radian during the past few years informal discussions with other potential merger partners.

MGIC's board of directors had periodically considered the possibility of a business combination between MGIC and Radian for a number of years. At a regularly scheduled MGIC board of directors meeting held on October 26, 2006, Curt S. Culver, MGIC's Chairman of the Board and Chief Executive Officer, discussed with the MGIC board of directors the possibility of such a business combination. The MGIC board of directors authorized Mr. Culver to approach Radian management to gauge Radian's interest in a combination.

In early November 2006, Mr. Culver and Sanford A. Ibrahim, Radian's Chief Executive Officer, met over dinner and discussed their mutual interest in exploring a business combination between MGIC and Radian. At that time Mr. Ibrahim stated that he needed to discuss with the Radian board of directors the proposed combination before he could discuss it further.

At a regularly scheduled Radian board of directors meeting held on November 14, 2006, Mr. Ibrahim described to the Radian board of directors his meeting with Mr. Culver. The Radian board of directors met again on November 30 and, following this meeting, recommended that Mr. Ibrahim continue to pursue his conversations with MGIC and explore the potential benefits of such a transaction.

Based on both companies' preliminary mutual interest and the belief in the potential merits of a possible strategic transaction, Messrs. Culver and Ibrahim agreed to meet again in December with other members of their senior management teams in order to continue their exploratory discussions. At meetings held on December 8 and 18 and in

follow-up phone calls on December 20, these discussions focused on the potential benefits of a combination, as well as the potential terms on which the two companies could combine. Both chief executives were in general agreement that an at-market transaction that drew on the strength of the managements and boards of both companies was most likely to deliver long-term value to the two companies' stockholders, and they discussed the potential composition of the combined company's board of directors and management. Discussions in December also addressed the value of preserving company brand identity and headquarters. During this time period, Mr. Culver discussed the potential combination with the members of the MGIC board of directors, and on December 21, the MGIC board of directors held a special meeting by

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telephone at which the directors talked about the status of the Radian discussions. The Radian board of directors reviewed and discussed matters relating to a potential combination at meetings held on December 12 and December 27. Also during this time period, Radian retained Wachtell, Lipton, Rosen & Katz as its outside legal advisor.

On January 12, 2007, Messrs. Culver and Ibrahim, together with Kenneth M. Jastrow, II, the chairman of MGIC's management development, nominating and governance committee, who presides over executive sessions of the MGIC board, and Radian's non-executive chairman, Herbert Wender, met to discuss the progress of the discussions and the path forward to a potential combination. Each of them noted the support of their respective boards for a potential transaction, agreed to continue discussions and agreed to commence mutual due diligence. Later that day, MGIC and Radian executed a customary confidentiality agreement.

In connection with the merger, MGIC retained Goldman Sachs as its outside financial advisor and Foley & Lardner LLP as its outside legal advisor, and Radian retained Lehman as its outside financial advisor.

The MGIC board of directors met on January 25, 2007. Representatives of Goldman Sachs and Foley & Lardner participated in the meeting. At the meeting, Mr. Culver updated the board on the key potential transaction terms, including the at-market nature of the combination and the proposed changes in the MGIC board and the management team of the combined company. Goldman Sachs presented preliminary materials regarding, among other things, preliminary valuations of each of MGIC and Radian, as well as potential synergies and prospects for the combined company. A representative of Foley & Lardner reviewed with the directors their fiduciary obligations under Wisconsin law. The board encouraged Mr. Culver and management to continue to negotiate a transaction with Radian.

At about that time, the parties and their outside counsel also began preliminary drafting of the transaction documents. Discussions between representatives of MGIC and Radian continued regarding a potential business combination and the benefits for each company that could result from such a transaction. As a result of these discussions, the parties agreed to recommend to their respective boards of directors a stock merger in which Radian would merge into MGIC, with MGIC being the surviving corporation. The parties and their respective counsel also negotiated the other terms of the definitive transaction agreements and exchanged related materials.

The MGIC board of directors met on the morning of February 4, 2007 with, among others, senior management, Foley & Lardner and Goldman Sachs. Management reviewed for the MGIC board of directors the progress of negotiations with Radian, and reported on MGIC's due diligence investigations of Radian, including executive compensation and benefits matters in connection with the merger. Goldman Sachs reviewed with the MGIC board of directors the structure and other terms of the potential transaction, and financial information regarding Radian, MGIC and a combination of the two companies, as well as information regarding peer companies and comparable transactions. Representatives of Foley & Lardner discussed with the MGIC board of directors the legal standards applicable to its decisions and actions with respect to its consideration of the proposed transaction, and reviewed a draft of the merger agreement. Representatives of Foley & Lardner also discussed with the MGIC board of directors the stockholder and regulatory approvals that would be required to complete the proposed merger, the likely process and timetable of the merger, including obtaining the required stockholder and regulatory approvals.

On Monday, February 5, 2007, Radian's board of directors met to discuss the proposed transaction. Mr. Ibrahim and other senior Radian executives reviewed the status of discussions and negotiations with MGIC since the previous board meeting and the results of Radian's due diligence investigation of MGIC. Members of Radian's management also discussed the key terms of the proposed merger, including the board and management governance provisions and a proposed exchange ratio of 0.9658 shares of MGIC common stock for each share of Radian common stock, which was designed to produce an at-market exchange ratio based on the ratio of the closing market price of Radian common stock on Friday, February 2, 2007 to the closing market price of MGIC common stock on February 2, 2007.



Management and Radian's advisors also discussed with the board accretion/dilution analysis, the companies' corporate cultures, the business mix of the two companies, estimated expense savings and potential revenue opportunities. Representatives from Lehman reviewed the financial terms of the proposed merger and presented its financial analysis of the transaction.

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Lehman subsequently rendered to the Radian board of directors its oral opinion (later confirmed in writing) that, as of February 5, 2007, and based upon the assumptions made, procedures followed, matters considered and limitations on the review undertaken by Lehman all as set forth in its written opinion, the exchange ratio pursuant to the merger agreement was fair, from a financial point of view, to holders of Radian common stock.

Representatives of Wachtell, Lipton, Rosen & Katz discussed with the Radian board of directors the legal standards applicable to its decisions and actions with respect to its consideration of the proposed transaction, and reviewed the legal terms of the proposed transaction agreements, including the employment agreements with Mr. Ibrahim and other executives. Representatives of Wachtell, Lipton, Rosen & Katz also discussed with the Radian board of directors the stockholder and regulatory approvals that would be required to complete the proposed merger, the likely process and timetable of the merger including obtaining the required stockholder and regulatory approvals and compensation and benefits issues in connection with the merger. Wachtell, Lipton, Rosen & Katz also reviewed for the Radian board of directors a set of draft resolutions relating to the proposed merger. Following the presentations, Radian directors posed questions to members of Radian's management, representatives of Wachtell, Lipton, Rosen & Katz and representatives of Lehman.

Following these discussions, and review and discussion among the members of the Radian board of directors, including consideration of the factors described under Radian's Reasons for the Merger; Recommendation of Radian's Board of Directors, the Radian board of directors unanimously determined that the transactions contemplated by the merger agreement and the related transactions and agreements are advisable and in the best interests of Radian and its stockholders, and the directors voted unanimously to approve the merger with MGIC, to approve and adopt the merger agreement, to approve the related transactions and agreements, and to approve the resolutions relating to the proposed merger.

Also on February 5, the board of directors of MGIC met with senior management and their outside legal and financial advisors. Mr. Culver and senior management updated the board on the status of the negotiations with Radian, including the proposed 0.9658 exchange ratio. In connection with the deliberation by the MGIC board of directors, Goldman Sachs made a presentation to the board regarding the fairness of the exchange ratio and rendered to the board its oral opinion (subsequently confirmed in writing), as described under Opinion of MGIC's Financial Advisor, that, as of February 5, 2007, and subject to the factors and assumptions set forth in its written opinion, the exchange ratio in the merger was fair from a financial point of view to MGIC.

Following these discussions, and continued deliberations among the members of the MGIC board of directors, including consideration of the factors described under MGIC's Reasons for the Merger; Recommendation of MGIC's Board of Directors, the MGIC board of directors unanimously determined that the transactions contemplated by the merger agreement and the related transactions and agreements are advisable and in the best interests of MGIC and its stockholders, and the directors voted unanimously to approve the merger agreement and to approve the related transactions and agreements.

Early on the morning of February 6, 2007, the parties executed and delivered the merger agreement. Also at that time, MGIC entered into contingent employment agreements with Messrs. Ibrahim and Casale and Ms. Bryce. The merger was announced on the morning of February 6, 2007 in a press release issued jointly by MGIC and Radian.

### **MGIC's Reasons for the Merger; Recommendation of MGIC's Board of Directors**

In reaching its decision to adopt the merger agreement and recommend adoption of the merger agreement to the MGIC stockholders, the MGIC board of directors consulted with MGIC's management, as well as with its outside legal and financial advisors, and considered a number of factors, including:

Its knowledge of MGIC's business, operations, financial condition, earnings and prospects and the results of MGIC's due diligence review of Radian;

The potential cost saving opportunities, and the related potential impact on the combined company's earnings;

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The views of Mr. Culver that the merger would strengthen the combined company, including its efforts to expand internationally, and energize MGIC's personnel;

The financial analyses and presentation of Goldman Sachs, and its opinion that, as of the date of the opinion and based upon and subject to the factors and assumptions set forth in its opinion, the exchange ratio pursuant to the merger agreement was fair from a financial point of view to MGIC (see Opinion of MGIC's Financial Advisor );

The fact that the exchange ratio represented an at-market transaction based on the ratio of the closing market price of Radian common stock on February 2, 2006 to the closing market price of MGIC common stock on February 2, 2006, and that the exchange ratio is fixed;

The terms and conditions of the merger agreement, and the likelihood that the merger would be completed in a timely manner and that the management team of the combined company would be able to successfully integrate and operate the businesses of the combined company after the merger;

The governance arrangements with respect to the combined company post-merger, including Mr. Culver serving as Chairman of the Board and Chief Executive Officer of the combined company and Mr. Ibrahim's succession to those positions, and the proposed composition of the board of directors and the committees of the board of directors as specified in the merger agreement; and

The regulatory and other approvals required in connection with the merger, and the likelihood regulatory approvals will be received in a timely manner and without unacceptable conditions.

MGIC's board also considered the potential risks outlined below, but concluded that the anticipated benefits of combining with Radian were likely to outweigh substantially these risks. The risks included:

The risks of the type and nature described under the sections entitled Risk Factors and Cautionary Statement Regarding Forward-Looking Statements and in the filings of each company incorporated in this document by reference;

The possibility that the merger and the related integration process could result in the loss of key employees, in the disruption of MGIC's ongoing business and in reduced business from key customers, which may want to maintain diversification of their mortgage insurance providers;

The possibility of encountering difficulties in achieving cost savings in the amounts estimated in the financial analysis or in the timeframe contemplated therein;

The potential for a negative impact on the market price of MGIC's stock;

The substantial merger-related restructuring charges and costs; and

The possibility that the merger might not receive the necessary regulatory approvals and clearances to complete the merger or that governmental authorities could attempt to condition their approval of the merger on the companies' compliance with burdensome conditions.

In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the MGIC board of directors did not attempt to quantify or assign any relative or specific weights to the

various factors that it considered in reaching its determination to approve the merger and the merger agreement and recommend that MGIC stockholders vote **FOR** the adoption of the merger agreement. In addition, individual members of the MGIC board of directors may have given differing weights to different factors. The MGIC board of directors conducted an overall analysis of the factors described above, including thorough discussions with, and questioning of, MGIC's management and outside legal and financial advisors. The MGIC board of directors also considered the advice of Goldman Sachs, its financial advisor, as well as Goldman Sachs' analyses of the financial terms of the merger and relied on its opinion as to the fairness, from a financial point of view, of the exchange ratio in the merger to MGIC.

It should be noted that a portion of this explanation of the MGIC board's reasoning and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading entitled **Cautionary Statement Regarding Forward-Looking Statements**.

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***Stockholder Vote Required***

The affirmative vote of a majority of the outstanding shares of MGIC common stock is required to adopt the merger agreement. Abstentions and broker non-votes, as well as failing to vote by not returning your proxy card, because they are not affirmative votes, will have the same effect as a vote against this proposal.

***Recommendation***

**THE MGIC BOARD OF DIRECTORS UNANIMOUSLY DETERMINED THAT THE MERGER, THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT ARE IN THE BEST INTERESTS OF MGIC AND ITS STOCKHOLDERS AND UNANIMOUSLY APPROVED THE MERGER AGREEMENT. THE MGIC BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT MGIC STOCKHOLDERS VOTE FOR THE ADOPTION OF THE MERGER AGREEMENT. PROXIES WILL BE VOTED FOR ADOPTION UNLESS A STOCKHOLDER GIVES OTHER INSTRUCTIONS ON THE PROXY CARD.**

**Radian's Reasons for the Merger; Recommendation of Radian's Board of Directors**

In reaching its decision to adopt the merger agreement and recommend adoption of the merger agreement to the Radian stockholders, the Radian board of directors consulted with Radian's management, as well as with its outside legal and financial advisors, and considered a number of factors, including:

Its knowledge of Radian's business, operations, financial condition, earnings and prospects;

Its knowledge of MGIC's business, operations, financial condition, earnings and prospects, taking into account its general familiarity with MGIC and the results of Radian's due diligence review of MGIC, including Radian's view that MGIC's operating and technology systems offered a strong, scalable platform for the combined company's operations;

Its belief that the two companies combined would have superior future earnings and growth prospects compared to Radian's prospects on a stand-alone basis, including as a result of significant operating efficiencies, a complementary mix of revenues and an attractive risk profile;

The financial analyses and presentation of Lehman Brothers, and its opinion, dated February 6, 2007, to the effect that, as of that date and based upon and subject to the assumptions, qualifications and limitations set forth in its opinion, the exchange ratio pursuant to the merger agreement was fair, from a financial point of view, to Radian's stockholders (see Opinion of Radian's Financial Advisor );

The fact that the exchange ratio represented an at-market transaction based on the ratio of the closing market price of Radian common stock on February 2, 2006 to the closing market price of MGIC common stock on February 2, 2006, and that the exchange ratio is fixed;

The terms and conditions of the merger agreement, and the likelihood that the merger would be completed in a timely manner and that the management team of the combined company would be able to successfully integrate and operate the businesses of the combined company after the merger;

The governance arrangements with respect to the combined company post-merger, including the fact that Mr. Ibrahim will serve as President and Chief Operating Officer of the combined company and will succeed

Mr. Culver as Chairman of the Board and Chief Executive Officer of the combined company, and the proposed composition of the board of directors and the committees of the board of directors; and

The regulatory and other approvals required in connection with the merger, and the likelihood regulatory approvals will be received in a timely manner and without unacceptable conditions.

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Radian's board also considered the potential risks outlined below, but concluded that the anticipated benefits of combining with MGIC were likely to outweigh substantially these risks. The risks included:

The risks of the type and nature described under the sections entitled "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements" and in the filings of each company incorporated in this document by reference;

The possibility that the merger and the related integration process could result in the loss of key employees, in the disruption of Radian's ongoing business and in reduced business from key customers;

The possibility of encountering difficulties in achieving cost savings in the amounts currently estimated or in the timeframe currently contemplated;

Substantial merger-related restructuring charges;

The potential risk of diverting management focus and resources from other strategic opportunities and from operational matters while working to implement the merger; and

The possibility that the merger might not receive the necessary regulatory approvals and clearances to complete the merger or that governmental authorities could attempt to condition their approval of the merger on the companies' compliance with burdensome conditions.

In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the Radian board of directors did not attempt to quantify or assign any relative or specific weights to the various factors that it considered in reaching its determination to approve the merger and the merger agreement and recommend that Radian stockholders vote "FOR" the adoption of the merger agreement. In addition, individual members of the Radian board of directors may have given differing weights to different factors. The Radian board of directors conducted an overall analysis of the factors described above, including thorough discussions with, and questioning of, Radian's management and outside legal and financial advisors. The Radian board of directors also considered the advice of Lehman Brothers, its financial advisor, as well as Lehman's analyses of the financial terms of the merger and relied on its opinion as to the fairness, from a financial point of view, of the exchange ratio in the merger to Radian's stockholders.

It should be noted that this explanation of the Radian board's reasoning and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading entitled "Cautionary Statement Regarding Forward-Looking Statements."

***Stockholder Vote Required***

The affirmative vote of a majority of the outstanding shares of Radian's common stock is required to adopt the merger agreement. Abstentions and broker non-votes, as well as failing to vote by not returning your proxy card, because they are not affirmative votes, will have the same effect as a vote against this proposal.

***Recommendation***

**FOR THE REASONS SET FORTH ABOVE, THE RADIAN BOARD OF DIRECTORS DETERMINED THAT THE MERGER, THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT ARE ADVISABLE AND IN THE BEST INTEREST OF RADIAN AND ITS**



**STOCKHOLDERS, AND UNANIMOUSLY APPROVED AND ADOPTED THE MERGER AGREEMENT. THE RADIAN BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE RADIAN STOCKHOLDERS VOTE FOR THE ADOPTION OF THE MERGER AGREEMENT. PROXIES WILL BE VOTED FOR ADOPTION UNLESS A STOCKHOLDER GIVES OTHER INSTRUCTIONS ON THE PROXY CARD.**

**Opinions of Financial Advisors**

MGIC engaged Goldman Sachs as its financial advisor and Radian engaged Lehman as its financial advisor in connection with the merger based on their experience and expertise. Goldman Sachs and Lehman

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are internationally recognized investment banking firms that have substantial experience in transactions similar to the merger.

**Opinion of MGIC's Financial Advisor**

Goldman Sachs delivered its oral opinion (subsequently confirmed in writing) to MGIC's board of directors that, based upon and subject to the factors and assumptions set forth in the written opinion, the exchange ratio (the Exchange Ratio) of 0.9658 shares of MGIC common stock to be issued in exchange for each share of Radian common stock pursuant to the merger agreement was fair from a financial point of view to MGIC.

The full text of the written opinion of Goldman Sachs, dated February 6, 2007, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B. Goldman Sachs provided its opinion for the information and assistance of MGIC's board of directors in connection with its consideration of the merger. The Goldman Sachs opinion is not a recommendation as to how any holder of MGIC common stock should vote with respect to the merger.

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

The merger agreement;

Annual reports to stockholders and Annual Reports on Form 10-K of MGIC and Radian for the five years ended December 31, 2005;

Certain interim reports to stockholders and Quarterly Reports on Form 10-Q of MGIC and Radian;

Certain other communications from MGIC and Radian to their respective stockholders;

Certain internal financial analyses and forecasts for Radian prepared by its management;

Certain internal financial analyses and forecasts for MGIC prepared by its management;

Certain publicly available research analyst reports with respect to the future financial performance of MGIC and Radian, which Goldman Sachs discussed with the senior managements of MGIC and Radian and which MGIC instructed Goldman Sachs to use for purposes of its opinion (the Forecasts); and

Certain cost savings and operating synergies (the Synergies) projected by the managements of MGIC and Radian to result from the merger.

Goldman Sachs also held discussions with members of the senior managements of MGIC and Radian regarding their assessment of the strategic rationale for, and the potential benefits of, the merger and the past and current business operations, financial condition and future prospects of MGIC and Radian. In addition, Goldman Sachs reviewed the reported price and trading activity for the shares of the MGIC common stock and the shares of Radian common stock, compared certain financial and stock market information for Radian and MGIC with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the financial institutions industry specifically and in other industries generally and performed such other studies and analyses, and considered such other factors, as it considered appropriate.

Goldman Sachs relied upon the accuracy and completeness of all the financial, legal, accounting, tax and other information discussed with or reviewed by it and assumed such accuracy and completeness for purposes of rendering the opinion described above. In that regard, Goldman Sachs has assumed with MGIC's consent that the Synergies have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the managements of MGIC and Radian and that the Synergies will be realized. Based on Goldman Sachs' discussions with MGIC and at MGIC's direction, it assumed that the Forecasts were a reasonable basis upon which to evaluate the future performance of MGIC and Radian, and at MGIC's direction it used the Forecasts for purposes of its analyses and its opinion. Goldman Sachs also assumed that

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all governmental, regulatory or other consents and approvals necessary for the completion of the merger will be obtained without any adverse effect on MGIC or Radian or on the expected benefits of the merger in any way meaningful to its analysis.

Goldman Sachs has not made an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of MGIC or Radian or any of their respective subsidiaries, nor was any evaluation or appraisal of the assets or liabilities of MGIC or Radian or any of their respective subsidiaries furnished to Goldman Sachs. Goldman Sachs is not an actuary and its services did not include any actuarial determination or evaluation by it or any attempt to evaluate actuarial assumptions and Goldman Sachs has relied on MGIC's actuaries with respect to reserve adequacy, including the adequacy of future policy benefit reserves. In that regard, Goldman Sachs has made no analysis of, and expressed no opinion as to, the adequacy of the loss and loss adjustments expenses reserves, the future policy benefit reserves, the long-term business provision and claims outstanding or the embedded value of MGIC and Radian. Goldman Sachs also assumed that to the extent necessary Credit-Based Asset Servicing and Securitization LLC and Sherman Financial Group LLC will be restructured to permit deconsolidation for GAAP consolidated financial statement reporting purposes.

Goldman Sachs' opinion does not address the underlying business decision of MGIC to engage in the merger. In addition, Goldman Sachs did not express any opinion as to the prices at which shares of the MGIC common stock will trade at any time. Goldman Sachs' opinion is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to it as of February 6, 2007. Goldman Sachs' advisory services and its opinion were provided for the information and assistance of the Board of Directors of MGIC in connection with its consideration of the merger and Goldman Sachs' opinion does not constitute a recommendation as to how any holder of the MGIC common stock should vote with respect to the merger.

The following is a summary of the material financial analyses delivered by Goldman Sachs to the board of directors of MGIC in connection with rendering the opinion described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs, nor does the order of analyses described represent relative importance or weight given to those analyses by Goldman Sachs. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Goldman Sachs' financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before February 6, 2007 and is not necessarily indicative of current market conditions.

*Historical Stock Trading Analysis.* Goldman Sachs reviewed and compared the stock price performance of the MGIC common stock and Radian common stock with that of the common stock of PMI Group, Inc. ( PMI ) and Triad Guaranty Inc. ( Triad Guaranty ) for the five-year, three-year and one-year periods ended February 2, 2007. The results of the analysis are as follows:

	<b>Stock Price Performance</b>		
	<b>1-year</b>	<b>3-year</b>	<b>5-year</b>
MGIC	(2.1)%	(7.4)%	(5.5)%
Radian	9.5	33.0%	33.8%
PMI	14.5	27.0%	37.2%
Triad Guaranty	20.2	(3.4)%	31.0%

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*Historical Exchange Ratio Analysis.* Goldman Sachs calculated the implied historical exchange ratios by dividing the closing price per share of Radian by the closing price per share of the MGIC common stock for the 5-day, 10-day, 15-day, 1-month, 6-month, 1-year, 3-year and the 5-year periods, in each case ended February 2, 2007. Goldman Sachs also calculated the average of these exchange ratios for the year 2006 and for the period beginning January 1, 2006 and up to February 2, 2007. In addition, Goldman Sachs reviewed the high and low implied historical exchange ratios for the 5-year period up to February 2, 2007. The following table presents the results of the analysis:

	<b>Implied Historical Exchange Ratio</b>
February 2, 2007	0.9658x
5 day average	0.9714x
10 day average	0.9678x
15 day average	0.9491x
1 month average	0.9253x
6 month average	0.9694x
1 year average	0.9409x
3 year average	0.8095x
5 year average	0.8090x
2006 average	0.9354x
January 1, 2006 to February 2, 2007	0.9346x
High	1.1354x
Low	0.6104x

*Selected Companies Analysis.* Goldman Sachs reviewed and compared certain financial information for MGIC and Radian to corresponding financial information, ratios and public market multiples for the following selected publicly traded companies in the mortgage insurance, bond insurance, residential mortgage and credit card industries.

**Selected Mortgage Insurance Companies**

PMI Group, Inc.

Triad Guaranty Inc.

**Selected Bond Insurance Companies**

MBIA Inc.

Ambac Financial Group Inc.

Assured Guaranty Ltd.

Security Capital Assurance Ltd.

**Selected Residential Mortgage C-Corporations**

Countrywide Credit Industries, Inc.

IndyMac Bancorp Inc.

PHH Corporation

Fremont General Corporation

Accredited Home Lenders Holding Co.

Delta Financial Corporation

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Compucredit Corporation

Advanta Corporation

Although none of the selected companies is directly comparable to MGIC or Radian, the companies included were chosen because they are publicly traded companies with operations that for purposes of analysis may be considered similar to certain operations of MGIC and Radian. The multiples and ratios of MGIC, Radian and each of the selected companies were calculated based on the closing prices of the MGIC common stock, Radian common stock and the common stock of each of the selected companies on February 2, 2007, financial data as of September 30, 2006, information it obtained from SEC filings and median estimates from the Institutional Brokers Estimate System (IBES). IBES is a data service that monitors and publishes compilations of earnings estimates by selected research analysts regarding companies of interest to institutional investors.

With respect to MGIC, Radian and the selected companies, Goldman Sachs calculated the estimated year 2007, or 2007E, and estimated year 2008, or 2008E, price/earnings ratios. Goldman Sachs also considered the five-year long-term growth rate, or LTGR, and calculated the 2007E price/earnings ratio to the five-year LTGR, the price to book value (excluding accumulated other comprehensive income, or AOCI) ratio and the adjusted debt to total capitalization ratio for MGIC, Radian and each of the selected companies. The results of these analyses are summarized as follows:

Selected Mortgage Insurance Companies		Selected Bond Insurance Companies		Selected Residential Mortgage C-Corporations		Selected Credit Card Companies		MGIC
Range	Median	Range	Median	Range	Median	Range	Median	
9.1x-9.6x	9.1x	10.2x-11.7x	11.1x	6.9x-8.6x	7.9x	8.2x-14.6x	11.4x	9
8.2x-8.7x	8.4x	9.4x-10.5x	10.1x	4.2x-7.9x	7.2x	7.3x-11.4x	9.4x	8
10.0%-12.0%	10.0%	11.5%-13.5%	12.3%	10.0%-14.0%	13.0%	15.0%-16.5%	15.7%	10
0.8x-0.9x	0.9x	0.8x-1.0x	0.9x	0.6x-0.7x	0.7x	0.5x-1.0x	0.7x	0
1.28x-1.37x	1.32x	1.14x-1.63x	1.44x	0.74x-1.83x	1.66x	1.97x-2.73x	2.35x	1
5.9%-15.9%	14.3%	1.9%-17.0%	13.0%	NM	NM	NM	NM	15

*Discounted Cash Flow Analysis.* Goldman Sachs performed discounted cash flow analyses to generate reference ranges for the implied value per share of MGIC common stock and Radian common stock.

With respect to MGIC common stock, Goldman Sachs calculated the implied total present value of the earnings from MGIC's subsidiaries for the years 2007 through 2011 and the present value of all the dividends of MGIC common stock for the years 2007 through 2011. Goldman Sachs also calculated the implied present value of the terminal value of MGIC common stock as of the end of the year 2011 by applying a range of terminal year earnings per share (or EPS) multiples of 8.0x to 10.0x to year 2012E EPS, which is based on IBES estimates. In performing this calculation, Goldman Sachs assumed a target risk-to-capital ratio of 11.0x and an EPS growth rate of 8%. Goldman Sachs then calculated the implied value per share of MGIC common stock by adding the implied total present value of the earnings from MGIC's subsidiaries for the years 2007 through 2011 and the implied total present value of all dividends of the MGIC common stock for the years 2007 through 2011 to the implied present value of the terminal value of MGIC common stock as of the end of the year 2011. Present values were calculated using discount rates ranging from 8.0% to 12.0%. The following table presents the results of this analysis:

	<b>Implied Value per Share</b>
MGIC	\$ 63.89 - \$88.99

Goldman Sachs also generated reference ranges for the implied value per share of MGIC common stock by calculating the implied present value of the terminal value at the end of 2011 based on EPS growth rates ranging from 6.0% to 10.0% and terminal year EPS multiples ranging from 8.0x to 10.0x applied to year 2012E EPS. Goldman Sachs assumed a target risk-to-capital ratio of 11.0x for the mortgage business in this calculation. Goldman Sachs then added this value to the implied total present value of earnings from MGIC's



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subsidiaries for years 2007 through 2011 and the implied total present value of all the dividends of MGIC common stock for years 2007 through 2011. Present values were calculated based on a discount rate of 8%. The following table presents the results of this analysis:

	<b>Implied Value per Share</b>
MGIC	\$ 65.37 - \$86.89

With respect to Radian common stock, Goldman Sachs calculated the implied total present value of the earnings from Radian's subsidiaries for the years 2007 through 2011 and the implied total value of all dividends of Radian for the years 2007 through 2011. Goldman Sachs also calculated the implied present value of the terminal value of Radian common stock as of the end of 2011, by applying a range of terminal year EPS multiples of 8.0x to 10.0x to year 2012E EPS, which is based on IBES estimates. In performing this calculation, Goldman Sachs assumed a target risk-to-capital ratio of 11.0x for the mortgage insurance business, a net debt service outstanding to capital ratio of 90.0x for the financial guaranty business and an EPS growth rate of 8%. Goldman Sachs then calculated the implied value per share of Radian common stock by adding the implied total present value of the earnings from Radian's subsidiaries for the years 2007 through 2011 and the implied total present value of all the dividends of Radian common stock for the years 2007 through 2011 to the implied present value of the terminal value of Radian common stock as of the end of 2011. Present values were calculated using discount rates ranging from 8.0% to 12.0%. The following table presents the results of this analysis:

	<b>Implied Value per Share</b>
Radian	\$ 59.33 - \$83.19

Goldman Sachs also generated reference ranges for the implied value per share of Radian common stock by calculating the implied present value of the terminal value at the end of 2011 based on EPS growth rates ranging from 6.0% to 10.0% and terminal year EPS multiples ranging from 8.0x to 10.0x applied to year 2012E EPS. Goldman Sachs assumed a target risk-to-capital ratio of 11.0x for the mortgage insurance business and a net debt service outstanding to capital ratio of 90.0x for the financial guaranty business in this calculation. Goldman Sachs then added this value to the implied total present value of earnings from Radian's subsidiaries for years 2007 through 2011 and the implied total present value of all the dividends of Radian common stock for years 2007 through 2011. Present values were calculated based on a discount rate of 8%. The following table presents the results of this analysis:

	<b>Implied Value per Share</b>
Radian	\$ 60.76 - \$81.17

*Selected Transactions Analysis.* Goldman Sachs analyzed certain information relating to the following selected transactions involving financial institutions in the United States since 1998:

**Insurance Transactions**

St. Paul Travelers Companies Inc.'s acquisition of Travelers Property Casualty Corporation, announced in November 2003.

Lincoln National Corporation's acquisition of Jefferson-Pilot Corporation, announced in October 2005.

**Bank Transactions**

NationsBank Corporation's acquisition of BankAmerica Corporation, announced in April 1998.

Banc One Corporation's acquisition of First Chicago NBD Corporation, announced in April 1998.

Norwest Corporation's acquisition of Wells Fargo & Co., announced in June 1998.

Travelers Group's acquisition of Citicorp, announced in April 1998.

Fleet Financial Corporation's acquisition of Bank of Boston, announced in March 1999.

Chase Manhattan Corporation's acquisition of JP Morgan & Co. Inc., announced in September 2000.

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Firststar Corporation's acquisition of U.S. Bancorp, announced in October 2000.

First Union Corporation's acquisition of Wachovia Corporation, announced in April 2001.

JP Morgan Chase & Co.'s acquisition of Bank One, announced in January 2004.

Regions Financial Corporation's acquisition of Union Planters Corporation, announced in January 2004.

Regions Financial Corporation's acquisition of AmSouth Bancorporation, announced in May 2006.

Bank of New York's acquisition of Mellon Financial Corporation, announced in December 2006.

For each of the selected transactions, Goldman Sachs reviewed the reaction of the acquirer's stock price to the transaction in absolute terms. Goldman Sachs also calculated and compared these stock price reactions against the Standard & Poor's, or S&P, Bank Index and the S&P Insurance Index for the bank transactions and insurance transactions respectively for the 1-day, 1-week, 1-month and 6-month periods. The results of this analysis are set forth below:

	1-Day		1-Week		1-Month		6-Mo
	S&P	Absolute	S&P	Absolute	S&P	Absolute	S&P
nsactions	(5.9)%-1.1%	(6.8)%-0.1%	(5.8)%-(1.1)%	(5.4)%-(1.8)%	(8.3)%-(1.9)%	0.5%-3.8%	(3.8)%-8.0%
	(2.4)%	(3.4)%	(3.5)%	(3.6)%	(5.1)%	2.1%	2.1%
itions	(12.4)%-11.0%	(13.5)%-12.0%	(14.2)%-8.9%	(25.0)%-10.3%	(13.0)%-8.0%	(24.8)%-11.9%	(46.5)%-5.6%
	(3.5)%	(2.3)%	(4.2)%	(2.4)%	(6.2)%	(2.9)%	(2.7)%
	(3.5)%	(2.3)%	(4.2)%	(2.4)%	(6.2)%	(2.9)%	(2.7)%

*Pro Forma Merger Analysis.* Goldman Sachs prepared illustrative pro forma analyses of the potential financial impact of the merger on estimated EPS for MGIC based on earning projections from IBES estimates and market data as of February 2, 2007. The effect on EPS was calculated using various assumptions, including the following:

- (a) The consideration is 100% MGIC common stock.
- (b) The transaction closing date is on October 1, 2007.
- (c) The marginal tax rate is 35%.
- (d) Pre-tax cost savings of \$128 million, 75% phased-in during 2008 and fully phased-in thereafter, and a restructuring charge of 150% of fully phased-in after-tax cost savings.
- (e) New insurance written losses by the pro forma combined company amount to \$12 billion in each of year 2008E and estimated year 2009, or 2009E, following the merger, based on industry projections made by the Mortgage Bankers Association of America. Such losses are assumed to occur evenly in the first year.
- (f) 9% of mortgage industry originations in 2008E and thereafter will be covered by private mortgage insurance.

(g) Weighted average net premiums earned constitute 0.57% of the average insurance in-force and weighted average expenses constitute 53.0% of the net premiums earned.

(h) Partial divestiture of stakes in Credit-Based Asset Servicing and Securitization LLC and Sherman Financial Group LLC with total after-tax proceeds of \$750 million, which will be used to repurchase shares in 2008E.

(i) Capital management at closing consists of an accelerated share repurchase of approximately \$1 billion at the closing.

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(j) Identifiable intangibles amounting to \$250 million and amortized over seven years on an accelerated basis.

(k) Radian's options are rolled over into MGIC's options programs at an exchange ratio of 0.9658x.

For each of the years 2008 and 2009, Goldman Sachs compared, on both a GAAP basis and a cash basis, the estimated EPS of the MGIC common stock on a standalone basis, to the estimated EPS of the combined company common stock, using the foregoing assumptions. The following table sets forth the results of this analysis:

	<b>GAAP Basis Accretion/(Dilution)</b>	<b>Cash Basis Accretion/(Dilution)</b>
2008E	2.8%	6.7%
2009E	6.3%	9.5%

In addition, based on the current annual dividend paid on the MGIC common stock of \$1.00 per share, Radian stockholders would receive \$0.97 in dividends on a pro forma annual per share basis.

*Contribution Analysis.* Goldman Sachs reviewed certain historical and estimated future operating and financial information including, among other things, market capitalization, net premiums written in 2006, total revenue in 2006, GAAP earnings (consisting of 2006 actual, or 2006A, earnings, 2006A adjusted earnings, 2007E earnings and 2008E earnings), book value as of December 31, 2006 (consisting of stated and tangible book value, both excluding AOCI), assets and operating metrics of the mortgage insurance business (consisting of insurance in force and direct primary risk in force) for MGIC, Radian and the combined entity resulting from the merger, in order to compare the relative contributions made by MGIC and Radian to the combined company. The information used by Goldman Sachs in its analysis was based on publicly available financial statements and the National Mortgage News. This analysis does not incorporate pro forma adjustments. The following table presents the results of this analysis:

	<b>MGIC's Contribution to Combined Company</b>	<b>Radian's Contribution to Combined Company</b>
<b>Market Capitalization</b>	51.7%	48.3%
<b>Net Premiums Written in 2006</b>	52.3%	47.7%
<b>Total Revenue 2006</b>	52.5%	47.5%
<b>GAAP Earnings</b>		
2006A	49.2%	50.8%
2006A Adjusted	51.0%	49.0%
2007E	52.0%	48.0%
2008E	50.5%	49.5%
<b>Book Value (as of December 31, 2006)</b>		
Stated (excluding AOCI)	50.0%	50.0%
Tangible (excluding AOCI)	50.0%	50.0%
<b>Assets</b>	46.1%	53.9%
<b>Operating Metrics of Mortgage Insurance Business</b>		
Insurance in Force	60.5%	39.5%

Direct Primary Risk in Force

57.6%

42.4%

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs' opinion. In arriving at its fairness determination, Goldman Sachs considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment.

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after considering the results of all of its analyses. No company or transaction used in the above analyses as a comparison is directly comparable to MGIC or Radian or the contemplated transaction.

Goldman Sachs prepared these analyses for purposes of Goldman Sachs providing its opinion to MGIC's board of directors as to the fairness from a financial point of view of the Exchange Ratio pursuant to the merger agreement. These analyses do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of MGIC, Radian, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast.

The Exchange Ratio was determined through arms-length negotiations between MGIC and Radian and was approved by MGIC's board of directors. Goldman Sachs did not recommend any specific exchange ratio to MGIC or its board of directors or advise that any specific exchange ratio constituted the only appropriate exchange ratio for the merger.

As described above, Goldman Sachs' opinion to MGIC's board of directors was one of many factors taken into consideration by MGIC's board of directors in making its determination to approve the merger agreement. The foregoing summary does not purport to be a complete description of the analyses performed by Goldman Sachs in connection with the fairness opinion and is qualified in its entirety by reference to the written opinion of Goldman Sachs attached as Annex B.

Goldman Sachs and its affiliates, as part of its investment banking business, is continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and other transactions as well as for estate, corporate and other purposes. Goldman Sachs has acted as financial advisor to MGIC in connection with, and has participated in certain of the negotiations leading to, the transaction contemplated by the agreement. In addition, Goldman Sachs has provided certain investment banking services to Radian from time to time, including having acted as a co-manager for the 2005 offering of \$250 million aggregate principal amount of Radian 5.375% Senior Notes. We also may provide investment banking services to MGIC and Radian in the future. In connection with the above-described investment banking services, Goldman Sachs has received compensation, and Goldman Sachs may receive compensation in the future.

Goldman Sachs is a full service securities firm engaged, either directly or through its affiliates, in securities trading, investment management, financial planning and benefits counseling, risk management, hedging, financing and brokerage activities for both companies and individuals. In the ordinary course of these activities, Goldman, Sachs & Co. and its affiliates may provide such services to MGIC, Radian and their respective affiliates, may actively trade the debt and equity securities (or related derivative securities) of MGIC and Radian for their own account and for the accounts of their customers and may at any time hold long and short positions of such securities.

The board of directors of MGIC selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the merger. Pursuant to a letter agreement, dated January 12, 2007, MGIC engaged Goldman Sachs to act as its financial advisor in connection with the contemplated transaction. Pursuant to this engagement letter, MGIC has agreed to pay Goldman Sachs a transaction fee of \$30 million upon completion of the transaction. MGIC has further agreed that if the transaction is not completed and Radian pays MGIC a termination fee, then MGIC will pay Goldman Sachs a transaction fee equal to 5% of the termination fee. See The Merger Agreement Termination Termination Fee. In addition, MGIC has agreed to reimburse Goldman Sachs for its expenses, including attorney's fees and disbursements, plus any sales, use or similar taxes, and to indemnify Goldman Sachs and related persons against various liabilities, including certain

liabilities under federal securities laws.



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**Opinion of Radian's Financial Advisor**

In January 2007, Radian engaged Lehman Brothers to act as its financial advisor with respect to the proposed merger with MGIC. On February 5, 2007, Lehman Brothers rendered its oral opinion to Radian's board of directors that as of such date and, based upon and subject to the matters stated in its opinion, from a financial point of view, the exchange ratio in the merger agreement was fair to Radian's stockholders. Lehman Brothers subsequently confirmed the oral opinion by delivery of its written opinion dated February 6, 2007.

**The full text of Lehman Brothers' written opinion, dated February 6, 2007 is attached as Annex C to this Joint Proxy Statement. Stockholders are encouraged to read Lehman Brothers' opinion carefully in its entirety for a description of the assumptions made, procedures followed, factors considered and limitations upon the review undertaken by Lehman Brothers in rendering its opinion. The following is a summary of Lehman Brothers' opinion and the methodology that Lehman Brothers used to render its opinion. This summary is qualified in its entirety by reference to the full text of the opinion.**

Lehman Brothers' advisory services and opinion were provided for the information and assistance of Radian's board of directors in connection with its consideration of the merger. Lehman Brothers' opinion is not intended to be and does not constitute a recommendation to any stockholder of Radian as to how such stockholder should vote in connection with the merger. Lehman Brothers was not requested to opine as to, and Lehman Brothers' opinion does not address, Radian's underlying business decision to proceed with or effect the merger.

In arriving at its opinion, Lehman Brothers reviewed and analyzed, among other things:

the merger agreement and the specific terms of the proposed transaction;

publicly available information concerning Radian that Lehman Brothers believed to be relevant to its analysis, including Radian's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006, June 30, 2006 and September 30, 2006, and earnings release on Form 8-K including financial results for the quarter and year ended December 31, 2006;

publicly available information concerning MGIC that Lehman Brothers believed to be relevant to its analysis, including MGIC's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006, June 30, 2006 and September 30, 2006, and earnings release on Form 8-K including financial results for the quarter and year ended December 31, 2006;

financial and operating information with respect to the businesses, operations and prospects of Radian furnished to Lehman Brothers by management of Radian, including (i) financial projections of Radian prepared by its management and (ii) the amounts and timing of the cost savings and other related synergies expected by Radian's management to result from a combination of the businesses of Radian and MGIC (the "Expected Synergies");

financial and operating information with respect to the businesses, operations and prospects of MGIC furnished to Lehman Brothers by the management of MGIC, including financial projections of MGIC prepared by management of MGIC;

published estimates of independent research analysts with respect to the future financial performance of each of Radian (the "Radian Research Estimates") and MGIC (the "MGIC Research Estimates");

the trading histories of Radian Common Stock and MGIC Common Stock from February 2, 2006 to February 2, 2007 and a comparison of those trading histories with each other and with those of other companies that Lehman Brothers deemed relevant;

a comparison of the historical financial results and present financial condition of Radian and MGIC with each other and with those of other companies that Lehman Brothers deemed relevant;

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the relative contributions of Radian and MGIC to the current and future financial performance of the combined company on a pro forma basis, including the potential restructuring of Radian's and MGIC's ownership interests in Credit-Based Asset Servicing and Securitization LLC ( C-BASS ) and Sherman Financial Group LLC. ( Sherman ); and

the potential pro forma impact of the Proposed Transaction on the current financial condition and the future financial performance of Radian, including the effect of the Expected Synergies and the impact of potential customer attrition.

In addition, Lehman Brothers had discussions with the managements of Radian and MGIC concerning their respective businesses, operations, assets, liabilities, financial condition and prospects and undertook such other studies, analyses and investigations as Lehman Brothers deemed appropriate.

In arriving at its opinion, Lehman Brothers assumed and relied upon the accuracy and completeness of the financial and other information used by Lehman Brothers without assuming any responsibility for independent verification of such information and further relied upon the assurances of the managements of Radian and MGIC that they were not aware of any facts or circumstances that would make such information inaccurate or misleading. With respect to the financial projections of Radian, upon advice of Radian, Lehman Brothers assumed that such projections were reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of Radian as to the future financial performance of Radian. However, for the purpose of its analysis, Lehman Brothers also considered the Radian Research Estimates and upon the advice of Radian, Lehman Brothers assumed that such estimates were a reasonable basis upon which to evaluate the future financial performance of Radian and also relied on such estimates in rendering its opinion. With respect to the financial projections of MGIC, upon advice of Radian and MGIC, Lehman Brothers assumed that such projections were reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of MGIC as to the future financial performance of MGIC. However, for the purpose of its analysis, Lehman Brothers also considered the MGIC Research Estimates and upon the advice of Radian and MGIC, Lehman Brothers assumed that such estimates were a reasonable basis upon which to evaluate the future financial performance of MGIC and also relied on such estimates in rendering its opinion. In addition, upon the advice of Radian, Lehman Brothers assumed that the amounts and timing of the Expected Synergies were reasonable and that the Expected Synergies would be realized substantially in accordance with such estimates. Upon advice of Radian and its legal and accounting advisors, Lehman Brothers assumed that the merger would qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and therefore as a tax-free transaction to the stockholders of Radian. In arriving at its opinion, Lehman Brothers did not conduct a physical inspection of the properties and facilities of Radian or MGIC and did not make or obtain any evaluations or appraisals of the respective assets or liabilities of Radian or MGIC. Lehman Brothers is not an actuarial firm and its services did not include actuarial determinations or evaluations or an attempt to evaluate actuarial assumptions. Lehman Brothers made no analyses of, and expressed no opinion as to, the adequacy of the reserves for losses and loss adjustment expenses of Radian or MGIC and relied upon information furnished to Lehman Brothers by Radian and MGIC as to the adequacy of such reserves. Lehman Brothers expressed no opinion as to the prices at which shares of (i) Radian Common Stock or MGIC Common Stock would trade at any time following the announcement of the Proposed Transaction or (ii) MGIC Common Stock would trade at any time following the consummation of the Proposed Transaction. Lehman Brothers' opinion necessarily was based upon market, economic and other conditions as they existed on, and could be evaluated as of, February 5, 2007.

The following is a summary of the material financial analyses used by Lehman Brothers in connection with providing its opinion to the Radian board of directors. **The financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses used by Lehman Brothers, the tables must be read together with the text of each summary. Considering any portion of such analyses and of**

**the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying Lehman Brothers opinion.**

**Table of Contents*****Transaction Terms***

At the effective time, each share of Radian common stock, except for shares of Radian common stock owned by Radian as treasury stock or owned, directly or indirectly, by Radian or MGIC or any of their respective wholly-owned subsidiaries, shall be converted into the right to receive 0.9658 shares of the common stock of MGIC.

***Historical Share Price Analysis***

Lehman Brothers considered historical data with regard to the trading prices of Radian and MGIC common stock for the period from February 2, 2006 to February 2, 2007 and the relative stock price performances from February 2, 2006 to February 2, 2007 of Radian, MGIC and a composite of five equities comprised of the common stocks of Old Republic International Corporation, MGIC Investment Corporation, PMI Group, Inc., Radian Group, Inc., and Triad Guaranty Inc. During this period the closing stock price of Radian ranged from a low of \$51.66 to a high of \$64.45 per share, and the closing price of MGIC ranged from a low of \$54.28 to a high of \$70.87 per share. Lehman Brothers noted Radian's common stock outperformed in the period reviewed relative to MGIC's common stock and the composite considered. Lehman Brothers noted MGIC's common stock underperformed in the period reviewed relative to Radian's common stock and the composite considered. The foregoing historical share price analysis was presented to Radian's board of directors to provide it with background information and perspective with respect to the relative historical share prices of Radian and MGIC common stock.

***Historical Exchange Ratio Analysis***

Lehman Brothers also compared the historical per share prices of Radian and MGIC during different periods during the 1 year period prior to February 2, 2007 in order to determine the implied average exchange ratio that existed for that period. The following table indicates the average exchange ratio of MGIC common stock for Radian common stock for the periods indicated:

<b>Time Frame</b>	<b>Exchange Ratio</b>
February 2, 2007	0.9658
5 Day Period	0.9714
10 Day Period	0.9632
20 Day Period	0.9324
3 Month Period	0.9028
6 Month Period	0.9668
1 Year Period	0.9396

***Contribution Analysis***

Lehman Brothers analyzed the respective contributions of Radian and MGIC for the following metrics:

Current market capitalization (as of February 2, 2007);

Total assets as of December 31, 2006;

Common equity as of December 31, 2006;

Historical calendar year 2006 revenues;

Historical calendar year 2006 net premiums earned;

Historical calendar year 2006 EBIT;

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Historical calendar year 2005 and 2006 net income; and

Projected calendar year 2007 and 2008 standalone net income per I/B/E/S projections.

This analysis indicated the following relative contributions of Radian and MGIC in terms of the specified metrics:

	<b>Contribution MGIC</b>	<b>Radian</b>	<b>Exchange Ratio</b>
Market Capitalization (2/2/07)	51.4%	48.6%	0.9658
Total Assets	45.5%	54.5%	1.2232
Common Equity	51.4%	48.6%	0.9673
2006 Revenues	52.2%	47.8%	0.9360
2006 Net Premiums Earned	53.9%	46.1%	0.8740
2006 EBIT	48.9%	51.1%	1.0661
2005 Net Income	54.4%	45.6%	0.8551
2006 Net Income	49.2%	50.8%	1.0531
2007 Net Income I/B/E/S	51.6%	48.4%	0.9568
2008 Net Income I/B/E/S	51.9%	48.1%	0.9469

***Sum of the Parts Analysis***

Lehman Brothers performed a sum of the parts analysis of Radian by valuing each of the individual business segments individually and deriving therefrom a range of values for Radian as a whole. The Radian business segments considered were mortgage insurance, financial guaranty, and Radian's ownership interest in its operating subsidiaries, C-BASS and Sherman. Using various methodologies that Lehman Brothers deemed appropriate for each business segment analyzed, the analysis indicated a range of equity values per share of Radian common stock ranging from \$57.63 to \$67.54 per share.

Lehman Brothers also performed a sum of the parts analysis of MGIC by valuing each of the individual business segments individually and deriving therefrom a range of values for MGIC as a whole. The MGIC business segments considered were mortgage insurance and MGIC's ownership interest in its operating subsidiaries, C-BASS and Sherman. The analysis indicated a range of equity values per share of MGIC common stock ranging from \$61.26 to \$71.57. This analysis resulted in an implied exchange ratio range of 0.9407 to 0.9437 MGIC shares for each Radian share, as compared to a transaction exchange ratio of 0.9658 MGIC shares for each Radian share.

***Discounted Cash Flow Analysis***

As part of its analysis, and in order to estimate the present value of the common stock of both Radian and MGIC assuming that each continued to operate as a standalone company, Lehman Brothers also prepared a five-year discounted cash flow analysis for both companies on a standalone basis, calculated as of February 5, 2007.

A discounted cash flow analysis is a traditional valuation methodology used to derive a valuation of an asset by calculating the present value of estimated future cash flows of the asset. Present value refers to the current value of

future cash flows or amounts and is obtained by discounting those future cash flows or amounts by a discount rate that takes into account macro-economic assumptions and estimates of risk, the opportunity cost of capital, expected returns and other appropriate factors.

Lehman Brothers performed discounted cash flow analyses for both Radian and MGIC by adding (1) dividendable earnings of each company, net of earnings necessary to maintain a maximum ratio of debt to total capital of 17.5% for MGIC and 15.0% for Radian, from January 1, 2007 through December 31, 2011 to



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(2) the present value of the terminal value of each company as of December 31, 2011. Terminal value refers to the value of all future cash flows from an asset at a particular point in time. Total capital refers to the total value of equity and debt. Lehman Brothers assumed annual growth in total capital of 5% for both MGIC and Radian.

To estimate Radian's projected cash flows, Lehman Brothers used consensus median I/B/E/S earnings estimates of \$6.70 and \$7.24 per share for 2007 and 2008, respectively, and an annual earnings growth rate of 10.0% thereafter based on the median I/B/E/S estimate. In calculating the terminal value for Radian, Lehman Brothers applied multiples ranging from 8.5x to 10.5x, reflecting Radian's then-current forward year earnings multiple, to Radian's projected 2012 net income using the assumptions previously discussed. The dividendable earnings and the terminal value were then discounted back to February 5, 2007 using discount rates ranging from 10.5% to 12.5%, which Lehman Brothers viewed as an appropriate range for a company with Radian's risk characteristics.

Based on the projections and assumptions set forth above, the discounted cash flow analysis of Radian yielded an implied valuation range of \$53.00 to \$67.69 per share of Radian common stock. Lehman Brothers noted that the price of Radian common stock as of February 2, 2007 was \$61.28 per share, which was within the per share equity valuation range implied by the foregoing analysis.

To estimate MGIC's projected cash flows, Lehman Brothers used consensus median I/B/E/S earnings estimates of \$7.00 and \$7.63 per share for 2007 and 2008, respectively, and an annual earnings growth rate of 10.0% thereafter based on the median I/B/E/S estimate. In calculating the terminal value for MGIC, Lehman Brothers applied multiples ranging from 8.5x to 10.5x, reflecting MGIC's then-current forward year earnings multiple, to MGIC's projected 2012 net income using the assumptions previously discussed. The dividendable earnings and the terminal value were then discounted back to February 5, 2007 using discount rates ranging from 10.5% to 12.5%, which Lehman Brothers viewed as an appropriate range for a company with MGIC's risk characteristics.

Based on the projections and assumptions set forth above, the discounted cash flow analysis of MGIC yielded an implied valuation range of \$62.53 to \$76.72 per share of MGIC common stock. Lehman Brothers noted that the price of MGIC common stock as of February 2, 2007 was \$63.45 per share, which was within the per share equity valuation range implied by the foregoing analysis.

## ***Pro Forma Analysis***

In order to evaluate the estimated ongoing impact of the merger, Lehman Brothers analyzed the pro forma earnings effect of the merger from the perspective of Radian stockholders. The pro forma earnings effect analysis was performed in order to assess the impact of the merger on earnings per share from the perspective of Radian stockholders. For the purposes of this analysis, Lehman Brothers assumed (i) a 0.9658 exchange ratio of MGIC common stock for Radian common stock pursuant to the terms of the merger agreement, (ii) a transaction structure with 100% stock consideration, (iii) standalone financial projections for each company provided based on the Radian Research Estimates and the MGIC Research Estimates, (iv) the Expected Synergies and the impact of potential customer attrition from the transaction determined by the management of Radian, (v) a share repurchase of \$750 million funded using proceeds from a reduction in pro forma ownership of C-BASS and Sherman, and (vi) a share repurchase of \$1 billion at the closing of the transaction financed using excess capital and the issuance of debt or hybrid securities. Lehman Brothers estimated that, based on the assumptions described above, the pro forma impact of the transaction would result in 0.8% accretion in 2007, 5.1% accretion in 2008, and 7.8% accretion in 2009 to the earnings per share of Radian determined in accordance with generally accepted accounting principles. The financial forecasts that underlie this analysis are subject to substantial uncertainty and, therefore, actual results may be substantially different.

## ***General***

In connection with the review of the merger by Radian's board of directors, Lehman Brothers performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a

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fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. In arriving at its opinion, Lehman Brothers considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor considered by it. Furthermore, Lehman Brothers believes that the summary provided and the analyses described above must be considered as a whole and that selecting any portion of its analyses, without considering all of them, would create an incomplete view of the process underlying its analyses and opinion. In addition, Lehman Brothers may have given various analyses and factors more or less weight than other analyses and factors and may have deemed various assumptions more or less probable than other assumptions, so that the ranges of valuations resulting from any particular analysis described above should not be taken to be Lehman Brothers' view of the actual value of Radian or MGIC.

In performing its analyses, Lehman Brothers made numerous assumptions with respect to industry risks associated with reserves, industry performance, general business and economic conditions and other matters, many of which are beyond the control of Radian or MGIC. Any estimates contained in Lehman Brothers' analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates. The analyses performed were prepared solely as part of Lehman Brothers' analysis of the fairness from a financial point of view to Radian stockholders of the 0.9658 exchange ratio and were prepared in connection with the delivery by Lehman Brothers of its written opinion, dated February 6, 2007, to Radian's board of directors. The analyses do not purport to be appraisals or to reflect the prices at which Radian common stock or MGIC common stock might trade following announcement of the merger or the prices at which MGIC common stock might trade following consummation of the merger.

The terms of the merger were determined through arm's length negotiations between Radian and MGIC and were unanimously approved by Radian's and MGIC's boards of directors. Lehman Brothers did not recommend any specific exchange ratio or form of consideration to Radian or that any specific exchange ratio or form of consideration constituted the only appropriate consideration for the merger. Lehman Brothers' opinion was provided to Radian's board of directors to assist it in its consideration of the exchange ratio in the merger. Lehman Brothers' opinion does not address any other aspect of the proposed merger and does not constitute a recommendation to any stockholder as to how to vote or to take any other action with respect to the merger. Lehman Brothers' opinion was one of the many factors taken into consideration by Radian's board of directors in making its determination to approve the merger agreement. Lehman Brothers' analyses summarized above should not be viewed as determinative of the opinion of Radian's board of directors with respect to the value of Radian or MGIC or of whether Radian's board of directors would have been willing to agree to a different exchange ratio or form of consideration.

Lehman Brothers is an internationally recognized investment banking firm and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. The Radian board of directors selected Lehman Brothers because of its expertise, reputation and familiarity with Radian and the mortgage insurance industry generally and because its investment banking professionals have substantial experience in transactions within the mortgage, insurance, and financial services industries.

As compensation for its services in connection with the merger, Radian paid Lehman Brothers \$1.5 million upon the delivery of Lehman Brothers' opinion. Additional compensation of \$14.0 million will be payable on completion of the merger against which the amounts paid for the opinion will be credited. Lehman is not entitled to any fee (other than the fee paid in connection with the delivery of its opinion) if the proposed merger is not completed or if a merger or other business combination is effected with any person other than MGIC. In addition, Radian has agreed to reimburse Lehman Brothers for reasonable out-of-pocket expenses incurred in connection with the merger and to indemnify Lehman Brothers for certain liabilities that may arise out of its engagement by Radian and the rendering of the Lehman Brothers' opinion.



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In the ordinary course of its business, Lehman Brothers may actively trade in the debt or equity securities of Radian and MGIC for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities. Lehman Brothers is acting as financial advisor to Fieldstone Investment Corporation, which has agreed to be acquired by Credit-Based Asset Servicing and Securitization LLC, a joint venture of Radian and MGIC.

## **Board of Directors and Management of the Combined Company Following the Merger**

### ***Executive Officers***

Following the merger, Curt S. Culver, Chairman of the Board and Chief Executive Officer of MGIC, will serve as Chairman of the Board and Chief Executive Officer of the combined company, and Sanford A. Ibrahim, Chief Executive Officer of Radian, will serve as President and Chief Operating Officer of the combined company.

Following the completion of the merger, Mr. Ibrahim will be the successor to Mr. Culver as Chief Executive Officer of the combined company, with such succession to become effective on the date of the combined company's 2009 annual stockholders meeting (provided that if the completion of the merger occurs after July 1, 2007, the succession will take place on September 1, 2009), or any such earlier date as of which Mr. Culver ceases for any reason to serve in the position of Chief Executive Officer of the combined company. In addition, Mr. Ibrahim will be the successor to Mr. Culver as Chairman of the Board of Directors of the combined company, with such succession to become effective on the date of the combined company's 2010 annual stockholders meeting or any such earlier date as of which Mr. Culver ceases for any reason to serve in the position of Chairman of the Board of Directors of the combined company.

Other persons who will serve as executive officers for the combined company after the merger, and their areas of responsibility, include: J. Michael Lauer, Chief Financial Officer; Jeffrey H. Lane, General Counsel; Teresa A. Bryce, Head of Corporate Strategy and Corporate Secretary; Lawrence Pierzchalski, Head of Risk Management in Mortgage Insurance; Martin Wood, Head of International in Mortgage Insurance; Mark A. Casale, Head of Capital Markets in Mortgage Insurance; Patrick Sinks, Head of Mortgage Insurance (domestic); Stephen D. Cooke, Head of Financial Guaranty; Lawrence DelGatto, Head of Information Technology, and Robert E. Croner, Head of Human Resources.

### ***Composition of the Board of Directors***

Upon completion of the merger, the board of directors of the combined company will consist of six current directors of MGIC designated by MGIC and five current directors of Radian designated by Radian. Promptly upon completion of the merger, the combined company will convene a special meeting of the combined company's stockholders to vote on the election of an additional Radian director. The former MGIC directors and former Radian directors will be equally apportioned among three equal classes of the combined company's board of directors. Mr. Herbert Wender, Radian's non-executive chairman, will be the lead director of the combined company's board and will serve in such capacity until the 2009 fiscal year. Mr. Wender will also be nominated to serve as a director of the combined company until the expiration of the term of the class of directors which expires at the MGIC annual meeting of stockholders in 2012, at which time he will resign from the board of directors.

In addition to Mr. Culver, the merger agreement contemplates that Kenneth M. Jastrow, II, the chairman of the MGIC board's management development, nominating and governance committee, will become a director of the combined company. The management development, nominating and governance committee, in consultation with Mr. Culver, will make a recommendation to MGIC's board on which directors of MGIC should be designated by MGIC as directors of the combined company. The MGIC board will determine which directors should be so designated.

*Committees of the Board of Directors*

Until the later of either Mr. Ibrahim's succession to the position of Chairman of the Board or Chief Executive Officer of the combined company, the chairmanships of the committees of the board of directors of the combined company will be divided as evenly as possible between individuals who are former MGIC

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directors and those who are former Radian directors, and the total membership on such committees will include an equal number of former MGIC directors and former Radian directors.

From the completion of the merger until such time as the sixth former Radian director is elected to the MGIC board of directors, the combined company's board of directors will have an Executive Committee consisting of two former MGIC board members and two former Radian board members, which Executive Committee will be formed to approve (by majority vote of the entire such Committee) all non-ordinary course business to be brought before the full combined company's board of directors (other than such business as may be proposed by the combined company's committees responsible for discharging the duties imposed by the rules of the New York Stock Exchange on audit, compensation and corporate governance/nominating committees).

### **Interests of MGIC's Directors and Officers in the Merger**

MGIC's executive officers and directors may be deemed to have financial and other interests in the merger that are in addition to or different from their interests as stockholders of MGIC, including that some of the executive officers and directors will hold positions with the combined company following the merger, as set forth in Board of Directors and Management of MGIC Following the Merger. The MGIC board of directors was aware of these financial and other interests and considered them, among other matters, in approving the merger agreement.

### **Interests of Radian's Directors and Officers in the Merger**

Radian's executive officers and directors may be deemed to have financial and other interests in the merger that are in addition to or different from their interests as stockholders of Radian, including that some of the executive officers and directors will hold positions with the combined company following the merger, as set forth in Board of Directors and Management of MGIC Following the Merger, and the interests described below. The Radian board of directors was aware of these financial and other interests and considered them, among other matters, in approving the merger agreement.

### ***Employment Agreement with Sanford A. Ibrahim***

On February 6, 2007, in connection with the execution of the merger agreement, Sanford A. Ibrahim, entered into an employment agreement with MGIC, which will be effective on the completion of the merger and which will supersede his existing agreement with Radian. The employment agreement with Mr. Ibrahim has a term of five years, which is divided into three periods. In the first period, Mr. Ibrahim will serve as the combined company's president and chief operating officer. The second period, during which Mr. Ibrahim maintains his title of president and assumes the title of chief executive officer, begins on the date of the 2009 annual stockholders meeting of the combined company or any such earlier date that Mr. Culver ceases to serve as chief executive officer; however, Mr. Ibrahim's appointment to the position of chief executive officer will be delayed until September 1, 2009 if the effective date of the merger is after July 1, 2007. The third period, during which Mr. Ibrahim will maintain his title of president and chief executive officer and assume the title of Chairman of the Board of Directors of the combined company, begins on the date of the 2010 annual stockholders meeting of the combined company or any such earlier date that Mr. Culver ceases to serve as the chairman of the combined company.

In exchange for Mr. Ibrahim waiving his change of control rights under his current employment agreement with Radian, the agreement provides that on the date of the completion of the merger, Mr. Ibrahim will be awarded restricted shares of the combined company having a market value equal to \$6,600,000, which represents the amount he would have been entitled to under his employment agreement as a result of a change of control of Radian. One half of such restricted shares will vest on the third anniversary of the date of grant, with the other half vesting equally over the first through third anniversaries of the date of grant, subject to Mr. Ibrahim's continued employment with the

combined company. The restricted shares vest in full if Mr. Ibrahim is terminated from employment by the combined company without cause, as a result of his death or disability (as defined in the agreement) or if he terminates employment for good reason.



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The agreement provides that the combined company will pay Mr. Ibrahim during the first period an aggregate annual base salary and annual bonus of not less than 90% of the aggregate annual base salary and annual bonus of Mr. Culver. Mr. Ibrahim's base salary and annual bonus opportunities for the second and third periods will be set by the compensation committee of the board of the combined company, although his base salary may not be less than the base salary provided during the first period.

With respect to equity-based awards and other long-term benefits during the first period, Mr. Ibrahim is entitled to receive no less than 90% of the value of such awards as given to Mr. Culver. During the second and third periods, Mr. Ibrahim is entitled to receive equity-based awards and other long-term incentives that are commensurate with Mr. Ibrahim's position and on terms no less favorable than those given to other senior executives of the combined company. After a transition period following the merger during which Mr. Ibrahim will continue to participate in the Radian retirement and welfare benefit plans, Mr. Ibrahim will be entitled to participate in all of the combined company's retirement and welfare benefit programs, including the combined company's supplemental executive retirement plan. Mr. Ibrahim will generally receive credit under the combined company's benefit plans for his years of service with Radian. In connection with the merger, Mr. Ibrahim will be required to relocate to Milwaukee, Wisconsin and will be provided with temporary housing in the Milwaukee, Wisconsin metropolitan area for himself and his family until such time as his family relocates to the Milwaukee, Wisconsin metropolitan area. MGIC will pay all expenses in connection with his relocation and the purchase of his residence and furnishings in the Philadelphia, Pennsylvania metropolitan area at the greater of cost and the appraised value of such residence and furnishings.

In the event that Mr. Ibrahim's employment is terminated during the employment period by the combined company without cause or by Mr. Ibrahim for good reason, (1) Mr. Ibrahim will be entitled to receive a lump sum cash payment equal to the sum of his annual base salary and the highest annual bonus earned by Mr. Ibrahim for any of the three fiscal years prior to the termination times the greater of the number of years remaining in the employment period and two, and (2) all of Mr. Ibrahim's equity compensation awards will vest in full and, subject to Section 409A of the Internal Revenue Code of 1986, as amended, any stock options will remain exercisable for their full term.

In addition, following Mr. Ibrahim's termination of employment for any reason other than for cause, he and his spouse will be entitled to retiree medical and dental benefits at the sole cost of the combined company, that are no less favorable than the greater of (1) the medical and dental benefits provided to him and his spouse under the medical and dental plans of the combined company immediately prior to the termination of his employment and (2) the medical and dental benefits provided to him immediately prior to closing under the medical and dental plans of Radian.

In the event that Mr. Ibrahim would be subject to the excise tax under Section 4999 of the Internal Revenue Code of 1986, as amended, Mr. Ibrahim will be paid an additional amount such that he is placed in the same after-tax position as if no excise tax had been imposed.

***Employment Agreement with Mark A. Casale***

On February 6, 2007, in connection with the execution of the merger agreement, Mark A. Casale entered into an employment agreement with MGIC, which will be effective on the completion of the merger. The employment agreement with Mr. Casale has a term of three years. During this term, Mr. Casale will serve as Head of Capital Markets of the combined company.

In exchange for Mr. Casale waiving his rights under his current change in control agreement with Radian, the agreement provides that on the date of the completion of the merger, Mr. Casale will be awarded restricted shares of the combined company having a market value equal to \$2,115,000, which represents 120% of the amount Mr. Casale would have been entitled to under his existing change of control agreement. The restricted shares will vest in equal

annual installments on each of the first, second, and third anniversaries of the agreement, subject to Mr. Casale's continued employment with the combined company. The restricted shares vest in full if Mr. Casale is terminated from employment by the combined company without cause, as a result of his death or disability (as defined in the agreement) or if he terminates employment for good reason.

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Following the effective date of the agreement, Mr. Casale will be eligible for a special integration bonus based on the success of the integration of the business of Radian with the business of MGIC.

The agreement provides that the combined company will pay Mr. Casale an annual base salary of \$450,000. In addition, Mr. Casale will receive an annual bonus as determined by the compensation committee of the Board of the combined company. However, in the first fiscal year that ends during the term of the agreement, the amount of the annual bonus will be reduced by the amount of any bonus paid by Radian on account of performance in that year.

With respect to each fiscal year during the term of the employment agreement, Mr. Casale is entitled to receive equity-based awards and other long-term incentives that are commensurate with Mr. Casale's position and on terms no less favorable than those given to other senior executives of the combined company. After a transition period following the merger during which Mr. Casale will continue to participate in the Radian retirement and welfare benefit plans, Mr. Casale will be entitled to participate in all of the combined company's retirement and welfare benefit programs, including the combined company's supplemental executive retirement plan. Mr. Casale will generally receive credit under the combined company's benefit plans for his years of service with Radian.

In the event that Mr. Casale's employment is terminated during the employment period by the combined company without cause or by Mr. Casale for good reason, (1) Mr. Casale will be entitled to receive a lump sum cash payment equal the sum of his annual base salary and the highest annual bonus earned by Mr. Casale for any of the three fiscal years prior to the termination times the greater of the number of years remaining in the employment period and two (the severance multiple), (2) Mr. Casale will be entitled to continued medical and dental benefits for a number of years equal to the severance multiple, and (3) all of Mr. Casale's equity compensation awards will vest in full.

In the event that Mr. Casale would be subject to the excise tax under Section 4999 of the Internal Revenue Code of 1986, as amended, Mr. Casale will be paid an additional amount such that he is placed in the same after-tax position as if no excise tax had been imposed.

### ***Employment Agreement with Teresa A. Bryce***

Teresa A. Bryce entered into an employment agreement dated as of February 6, 2007 with MGIC in connection with the execution of the merger agreement, which will be effective on the completion of the merger. The employment agreement with Ms. Bryce has a term of three years. During this term, Ms. Bryce will serve as Head of Corporate Strategy and Corporate Secretary of the combined company.

Ms. Bryce's employment agreement is substantially similar to the agreement described above for Mr. Casale, except that Ms. Bryce will be awarded restricted shares of the combined company having a market value equal to \$1,701,000, which represents 120% of the amount Ms. Bryce would have been entitled to under her existing change of control agreement, her annual base salary will be \$350,000 and Ms. Bryce will be provided with relocation benefits in connection with her anticipated relocation to Milwaukee, Wisconsin.

### ***Equity-Based Compensation***

Under its equity plans, Radian has several types of equity awards outstanding, including stock options, performance shares, restricted shares, and phantom shares. In addition, Radian maintains an employee stock purchase plan that allows employees to purchase common stock of Radian. Upon completion of the merger:

All outstanding options to purchase Radian common stock will become exercisable in full and will be converted into options to purchase MGIC common stock based on the exchange ratio provided in the merger;

All performance shares will be earned as if the target performance goals established for such shares are met as of the completion of the merger, and the resulting number of earned performance shares will be paid out in accordance with their terms;

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Restricted shares other than those shares of Radian restricted stock granted to Radian employees on or after February 5, 2007 (which generally will vest three years from the date of the grant but may vest earlier, if, during the three year period following completion of the merger, the employee's employment is terminated by the combined company without cause or by the employee for good reason, as those terms are defined in the applicable award agreements) will vest in full and be converted into shares of MGIC common stock based on the exchange ratio provided in the merger;

Phantom shares and deferred stock units will vest and be converted automatically into a number of shares of MGIC common stock equal to the product of the number of shares of Radian common stock subject to the original phantom shares and deferred stock units and the exchange ratio, other than phantom shares held by Radian directors who will serve on the board of the combined company, which will be converted into phantom shares with respect to MGIC common stock based on the exchange ratio; and

The employee stock purchase plan will terminate and any purchase period in effect will be completed prior to the completion of the merger.

### ***Indemnification and Insurance***

The merger agreement provides that in the event of a threatened or actual claim, action, suit, proceeding or investigation against a present or past Radian director, officer or employee in their capacity as such or arising out of the merger agreement, Radian and MGIC agree to cooperate and use their reasonable best efforts to defend against and respond to such actions, except that prior to the completion of the merger MGIC's only obligation is to cooperate. Also, in the event of a threatened or actual claim, action, suit, proceeding or investigation against a past or present MGIC director, officer or employee in their capacity as such or arising out of the merger agreement, Radian and MGIC agree to cooperate and use their reasonable best efforts to defend against and respond to such actions, except that prior to the completion of the merger Radian's only obligation is to cooperate. After the completion of the merger, the combined company will indemnify and hold harmless to the fullest extent permitted by law and provide advancement of expenses to past and present officers, directors and employees of MGIC and Radian and its subsidiaries in their capacities as such against all losses, claims, damages, liabilities, costs, expenses (including reasonable attorney's fees), judgments, fines, or amounts paid in settlement.

The merger agreement provides that Radian will use commercially reasonable efforts to convert its current directors and officers' liability insurance to a policy that covers the insureds only for acts or omissions occurring prior to the completion of the merger. The combined company will maintain this policy, or the existing policy if no conversion is obtained, for a period of six years after completion of the merger.

### ***Effect of Merger on Change in Control Employment Agreements***

As discussed above, under their new contingent employment agreements with MGIC, Messrs. Ibrahim and Casale and Ms. Bryce have agreed to waive amounts to which they may be entitled under their existing change of control arrangements in exchange for equity in the combined company. In addition to these arrangements, Radian has in effect change in control agreements with the following executive officers: Mr. C. Robert Quint, Mr. Roy Kasmar, Mr. Stephen Cooke and Mr. Robert E. Croner.

The agreement with Mr. Quint provides that if, during the two-year period that follows the completion of the merger, his employment is terminated by the combined company without cause or if he terminates his employment for good reason, then Mr. Quint is entitled to: (1) a severance payment equal to two times his base salary and his current maximum bonus opportunity; (2) full vesting of any stock options or restricted shares then held by him that were not

previously vested; and (3) continued participation in the combined company's welfare benefit plans for a period of three years following termination of employment. In the event that Mr. Quint would be subject to the excise tax under Section 4999 of the Internal Revenue Code of 1986, as amended, he will be paid an additional amount such that he is placed in the same after-tax position as if no excise tax had been imposed.

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The agreement with Mr. Roy Kasmar is substantially similar to the agreement described above, except that Mr. Kasmar will be entitled to the severance payment and other benefits only if the completion of the merger occurs before July 1, 2007, and his qualifying termination occurs before March 1, 2008. In addition, the portion of his severance payment attributable to bonus is based on his target bonus opportunity, which is deemed to be \$682,500. Any payments due Mr. Kasmar under his change in control agreement will be offset by amounts he receives under his Transition Agreement with Radian dated January 9, 2007.

The agreements with Mr. Cooke and Mr. Croner are also substantially similar to the agreements described above, except that: (1) a qualifying termination entitling the executive to the severance payment and other benefits may occur within six months prior to, or three years following, the completion of the merger; (2) in addition to the vesting of stock options and restricted shares, any phantom equity rights then held by the executive will vest in full upon a qualifying termination of employment; (3) the severance payment is based on the executive's base salary and bonus paid to the executive for the fiscal year that ends prior to the termination of employment (instead of the executive's maximum bonus opportunity); (4) the combined company may determine, in its discretion, that rather than allow the executive to continue participating in the combined company's welfare benefit plans, the combined company will instead make an additional payment to the executive equal to what would have been the company's cost for such continued participation; and (5) the combined company may reduce the executive's severance payment and other benefits by up to five percent (5%) if the reduction will avoid the imposition of an excise tax under Section 4999 of the Internal Revenue Code. In addition, the agreements require the executive to provide consulting services to the combined company, for no more than twelve months following the executive's termination of employment and for no more than twenty hours per month, if requested by the combined company's board of directors or Chief Executive Officer.

## **Material Federal Income Tax Consequences of the Merger**

The following summary sets forth the material anticipated United States federal income tax consequences generally applicable to a U.S. holder (as defined below) with respect to the exchange of Radian common stock for MGIC common stock pursuant to the merger. This discussion assumes that U.S. holders hold their Radian common stock as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the Code). This summary is based on the Code, administrative pronouncements, judicial decisions and Treasury Regulations, each as in effect as of the date of this joint proxy statement/prospectus. All of the foregoing are subject to change at any time, possibly with retroactive effect, and all are subject to differing interpretation.

This summary does not address any tax consequences arising under United States federal tax laws other than United States federal income tax laws, and does not address the laws of any state, local, foreign or other taxing jurisdiction. In addition, this summary does not address all aspects of United States federal income taxation that may apply to beneficial owners of Radian common stock in light of their particular circumstances or that may apply to beneficial owners that are subject to special rules under the Code, such as tax-exempt organizations, insurance companies, banks and other financial institutions, dealers in securities, traders in securities that elect to use a mark-to-market method of accounting, real estate investment trusts, regulated investment companies, persons who hold Radian common stock as part of a straddle, hedging, constructive sale, conversion, or other integrated transaction, persons whose functional currency is not the U.S. dollar, and persons who acquired shares of Radian common stock as a result of the exercise of employee stock options or otherwise as compensation or through a tax-qualified retirement plan.

For purposes of this summary, a U.S. holder is a beneficial owner of Radian common stock that is for United States federal income tax purposes:

a United States citizen or resident alien;

a corporation, or other entity taxable as a corporation for United States federal income tax purposes, created or organized under the laws of the United States or any state therein or the District of Columbia;



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an estate, the income of which is subject to United States federal income taxation regardless of its source; and a trust if (1) it is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust, or (2) the trust has a valid election in effect under applicable Treasury Regulations to be treated as a United States person.

The United States federal income tax treatment of a partnership and its partners depends upon a variety of factors, including the activities of the partnership and the status of the partners. Holders of Radian common stock that are entities or arrangements classified for United States federal income tax purposes as partnerships, and any members of such entities or arrangements, should consult their tax advisors concerning the United States federal income tax consequences of the merger.

In connection with the filing of the registration statement of which this document forms a part, Foley & Lardner LLP has delivered an opinion to MGIC, and Wachtell, Lipton, Rosen & Katz has delivered an opinion to Radian, that (1) the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code and (2) the discussion under the heading Material Federal Income Tax Consequences of the Merger constitutes in all material respects, a fair and accurate summary of the United States federal income tax consequences resulting from the merger under existing law subject to the qualifications and conditions set forth in the registration statement. The obligations of the parties to complete the merger are also conditioned upon the receipt by MGIC and Radian of opinions from Foley & Lardner LLP and Wachtell, Lipton, Rosen & Katz, respectively, in each case dated as of the closing date of the merger, to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code.

The opinions filed in connection with the registration statement have been, and the opinions that will be dated as of the closing date will be, based in part on representation letters provided by Radian and MGIC and on customary factual assumptions. If any of those assumptions or representations is inaccurate, incomplete, or untrue, the conclusions contained in the opinions referred to in this paragraph or stated below could be affected. The opinions filed in connection with the registration statement also assume that none of the terms and conditions contained in the merger agreement will have been waived or modified in any respect on or prior to the closing date.

Foley & Lardner LLP and Wachtell, Lipton, Rosen & Katz are under no obligation to update the opinions described above as a result of a change in law or discovery of any inaccuracy in such representations. Neither the tax opinions referred to in the preceding paragraph nor the discussion that follows will be binding on the Internal Revenue Service ( IRS ) or any court, and no rulings will be sought from the IRS regarding the tax treatment of the merger. Accordingly, there can be no certainty that the IRS will not challenge the conclusions set forth in any of the opinions stated or referred to herein or that a court would not sustain such a challenge.

***Consequences of the Merger***

Assuming the merger qualifies as a reorganization within the meaning of Section 368(a) of the Code, MGIC and Radian will not recognize any gain or loss for United States federal income tax purposes as a result of the merger and the material United States federal income tax consequences of the merger to U.S. holders will be as follows:

A U.S. holder that receives MGIC common stock in exchange for its shares of Radian common stock in the merger will not recognize gain or loss on the exchange, except to the extent the U.S. holder receives cash instead of a fractional share interest in MGIC common stock.

The aggregate tax basis of the shares of MGIC common stock received in the merger (including any fractional shares deemed received and redeemed for cash as described below) will be equal to the aggregate tax basis in

the shares of Radian common stock surrendered in exchange for the MGIC common stock.

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An exchanging U.S. holder's holding period in the MGIC common stock received in the merger (including any fractional shares deemed received and redeemed for cash as described below) will include the holding period of the Radian common stock surrendered in exchange for MGIC common stock.

A U.S. holder that receives cash instead of a fractional share should be treated as if such U.S. holder had received a fractional share of MGIC common stock and had then exchanged such fractional share for cash in a redemption by MGIC. Assuming that the deemed redemption of a fractional share of MGIC common stock is treated as a sale or exchange, and not as a dividend, a U.S. holder will recognize capital gain or loss on such deemed redemption in an amount equal to the difference between the amount of cash received instead of the fractional share and the U.S. holder's tax basis in the fractional share of MGIC common stock. Such capital gain or loss will be long-term capital gain or loss if the Radian common stock exchanged was held for more than one year at the effective time of the merger.

## ***Information Reporting and Backup Withholding***

A non-corporate U.S. holder of Radian common stock may be subject to information reporting and backup withholding on any cash payments it receives instead of fractional share interests in MGIC common stock. Backup withholding will not apply, however, if such U.S. holder (1) furnishes a correct taxpayer identification number and properly certifies that it is not subject to backup withholding (generally on a Form W-9) or (2) otherwise establishes an exemption from backup withholding.

Any amounts withheld under the backup withholding rules may be allowed as a refund or credit against the U.S. holder's United States federal income tax liability, provided that such U.S. holder timely furnishes the required information to the IRS. U.S. holders should consult their tax advisors as to their qualifications for an exemption from backup withholding and the procedure for establishing an exemption.

## **Regulatory Matters**

We have agreed to use our reasonable best efforts to obtain the regulatory approvals required to complete the merger. We refer to these approvals, along with the expiration of any statutory waiting periods related to these approvals, as the requisite regulatory approvals. These include approval from various U.S. and non-U.S. federal and state regulatory authorities. We have filed or intend to promptly file all such applications and notifications to obtain the requisite regulatory approvals. There can be no assurance that such authorities or organizations will approve such applications or accept such notifications. The merger cannot proceed in the absence of the requisite regulatory approvals.

The merger is subject to the receipt of necessary approvals from various U.S. state insurance regulatory authorities. The insurance laws and regulations of most states generally require that, prior to the acquisition of control of an insurance company domiciled or commercially domiciled in a state through the acquisition of or merger with the holding company parent of the insurance company, the acquiror must obtain the prior approval of the insurance regulatory authority of that state. In this regard, completion of the merger is subject to the prior approval of the insurance regulatory authorities of the following states: Arizona, Illinois, New York, Pennsylvania, Texas and Wisconsin. We have filed or plan to file applications for prior approval in each of these states. The merger is also subject to approval in the United Kingdom by the Financial Services Authority. In addition to the acquisition of control filings, completion of the merger is also subject to pre-acquisition notification filings, which the parties are filing in a number of states. The primary purpose of these filings is to permit the state insurance regulatory authorities to assess the competitive impact of the merger. The pre-acquisition notification filings are generally reviewed or non-disapproved within 30 days, or in some states, 60 days, after filing with the applicable insurance department which may be extended as a result of a department's request for additional information on the competitive impact of a

proposed merger.

On March 6, 2007, each of us filed with the U.S. Federal Trade Commission and the U.S. Department of Justice a notice in satisfaction of the filing requirements under the Hart-Scott-Rodino Act. Under the applicable requirements of the Hart-Scott-Rodino Act, we may not complete the merger for 30 days after

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submission of that notice, which period may be extended by an agency request for additional information or terminated at any time with the approval of both agencies. In addition to the foregoing, other applications, notifications and filings will be made with U.S. and non-U.S. regulatory authorities in connection with the merger.

The merger may also be reviewed by the state attorneys general in the various states in which MGIC and Radian operate. While MGIC and Radian believe there are substantial arguments to the contrary, these authorities may claim that there is authority, under the applicable state and federal antitrust laws and regulations, to investigate and/or disapprove the merger under the circumstances and based upon the review set forth in applicable state laws and regulations. There can be no assurance that one or more state attorneys general will not attempt to file an antitrust action to challenge the merger.

In addition, private parties also may seek to take legal action under the antitrust laws under some circumstances. Based upon an examination of information available relating to the businesses in which the companies are engaged, MGIC and Radian believe that the completion of the merger will not violate U.S. antitrust laws. However, MGIC and Radian can give no assurance that a challenge to the merger on antitrust grounds will not be made, or, if such a challenge is made, that MGIC and Radian will prevail.

MGIC and Radian believe that they will be able to obtain all requisite regulatory approvals on a timely basis without the imposition of any condition that would have a material adverse effect on MGIC or Radian. However, we cannot assure you as to whether or when the requisite regulatory approvals will be obtained, and, if obtained, we cannot assure you as to the date of receipt of any of these approvals or the absence of any litigation challenging them. Likewise, we cannot assure you that the U.S. Department of Justice or U.S. Federal Trade Commission will not attempt to challenge the merger on antitrust grounds, or, if such a challenge is made, as to the result of that challenge. We are not aware of any other material governmental approvals or actions that are required prior to the parties completion of the merger other than those described above. We presently contemplate that if any additional governmental approvals or actions are required, these approvals or actions will be sought. However, we cannot assure you that any of these additional approvals or actions will be obtained.

## **Accounting Treatment**

The merger will be accounted for as a purchase by MGIC of Radian, as that term is used under accounting principles generally accepted in the United States, for accounting and financial reporting purposes. As a result, the historical financial statements of MGIC will continue to be the historical financial statements of MGIC following the completion of the merger. The assets (including identifiable intangible assets) and liabilities (including executory contracts and other commitments) of Radian as of the effective time of the merger will be recorded at their respective fair values and added to those of MGIC. Any excess of purchase price over the net fair values of Radian assets and liabilities is recorded as goodwill (excess purchase price). Financial statements of MGIC issued after the merger will reflect such fair values and will not be restated retroactively to reflect the historical financial position or results of operations of Radian. The results of operations of Radian will be included in the results of operations of MGIC beginning on the effective date of the merger.

In 2005, the Financial Accounting Standards Board issued an exposure draft of the proposed Statement of Financial Accounting Standards, *Business Combinations: a replacement of FASB Statement No. 141*. A final standard is expected to be issued in 2007. When adopted, the proposed standard will change accounting standards and practices for business combinations. If this replacement standard is adopted with an effective date prior to the acquisition date of this merger, it may change how this transaction is accounted for under accounting principles generally accepted in the United States.

## **Exchange of Certificates in the Merger**

At or prior to the completion of the merger, MGIC will cause to be deposited with its appointed exchange agent a certain number of certificates representing shares of MGIC common stock for the benefit of

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the holders of certificates representing shares of Radian common stock and cash instead of any fractional shares that would otherwise be issued to Radian stockholders in the merger.

Promptly after the completion of the merger, MGIC will cause the exchange agent to send transmittal materials to each holder of a Radian stock certificate for use in exchanging Radian stock certificates for certificates representing shares of MGIC common stock and cash instead of fractional shares, if applicable. The exchange agent will deliver certificates for MGIC common stock and/or a check instead of any fractional shares of MGIC common stock once it receives the properly completed transmittal materials together with certificates representing a holder's shares of Radian common stock.

Radian stock certificates may be exchanged for MGIC stock certificates with the exchange agent for up to 12 months after the completion of the merger. At the end of that period, any MGIC stock certificates and cash will be returned to MGIC. Any holders of Radian stock certificates who have not exchanged their certificates will be entitled to look only to MGIC, and only as general creditors of MGIC, for MGIC stock certificates and any cash to be received instead of fractional shares of MGIC common stock.

If you own shares of Radian common stock, until you exchange your Radian stock certificates for MGIC common stock certificates, you will not be able to vote on any matter on which MGIC stockholders are entitled to vote and you will not receive any dividends or other distributions in respect of shares of MGIC common stock, except to the extent that you also own MGIC common stock. Once you exchange your Radian stock certificates for MGIC stock certificates, you will receive, without interest, any dividends or distributions with a record date after the effective time of the merger and payable with respect to your shares. If your Radian stock certificate has been lost, stolen or destroyed you may receive a MGIC stock certificate upon the making of an affidavit of that fact. MGIC may require you to post a bond in a reasonable amount as an indemnity against any claim that may be made against MGIC with respect to the lost, stolen or destroyed Radian stock certificate.

Neither MGIC nor Radian, nor any other person, will be liable to any former holder of Radian common stock for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

## **Treatment of Radian Options and Other Stock-Based Awards**

Upon completion of the merger, each outstanding option to acquire Radian common stock, whether or not exercisable, will be assumed by MGIC and converted into an option to acquire that number of whole shares of MGIC common stock equal to the product of the number of shares of Radian common stock that were subject to the original Radian stock option multiplied by the exchange ratio at a per share exercise price equal to the exercise price per share of the original Radian stock option divided by the exchange ratio. Each converted Radian stock option will have the same terms and conditions as were in effect immediately prior to the completion of the merger, subject to any accelerated vesting as a result of the merger to the extent provided by the terms of the applicable Radian stock plan.

Upon completion of the merger, (1) the performance goals applicable to each outstanding performance share granted by Radian based on shares of Radian common stock will be deemed to have been satisfied at 100% of the target level, and (2) the performance shares will be paid out in accordance with their terms.

Other than those shares of Radian restricted stock granted (or to be granted) to Radian employees on or after February 5, 2007, upon completion of the merger, each outstanding restricted share of Radian common stock will vest in full, no longer be subject to restriction and will be treated on the same basis as described for the Radian stock options above. The shares of Radian restricted stock granted (or to be granted) to Radian employees on or after February 5, generally will vest three years from the date of grant, but may vest earlier, if, during the three-year period following completion of the merger, the employee's employment is terminated by the combined company without

cause or by the employee for good reason (as those terms are defined the applicable award agreements).

Upon completion of the merger, each outstanding phantom share or deferred stock unit granted by Radian based on shares of Radian common stock will vest and be converted automatically into a number of shares of



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MGIC common stock equal to the product of the number of shares of Radian common stock subject to the original phantom shares or deferred stock units and the exchange ratio, other than phantom shares held by Radian directors who will serve on the board of the combined company, which will convert into phantom shares with respect to MGIC common stock based on the exchange ratio.

Radian will take any and all actions with respect to its Employee Stock Purchase Plan as are necessary to provide that (1) the Employee Stock Purchase Plan will terminate, effective as of immediately before the completion of the merger, (2) if the purchase period in effect as of the date of the merger agreement terminates prior to the completion of the merger, the Employee Stock Purchase Plan will be suspended and no new purchase period will be commenced, (3) if the purchase period in effect as of the date of the merger agreement does not terminate prior to the completion of the merger, the end of the applicable purchase period will be accelerated to a date occurring prior to completion of the merger, and (4) no new purchase periods will begin after the date of the merger agreement.

Promptly following the completion of the merger (but in no event later than two business days thereafter), MGIC will file a registration statement to register the issuance of the shares of MGIC common stock upon the exercise of the assumed Radian stock options and other rights.

## **Fractional Shares**

MGIC will not issue any fractional shares of MGIC common stock. Instead, a Radian stockholder who would otherwise have received a fraction of a share of MGIC common stock will receive an amount of cash equal to the fraction of a share of MGIC common stock to which such holder would otherwise be entitled multiplied by the average closing sales price per share of MGIC common stock on the five full trading days immediately preceding the completion of the merger as reported on the New York Stock Exchange.

## **Resales of MGIC Stock by Affiliates**

Stockholders of Radian who may be deemed to be affiliates of MGIC and Radian, as defined under Rule 145 under the Securities Act, generally may not sell their shares of MGIC common stock acquired in the merger except pursuant to an effective registration statement under the Securities Act or an applicable exemption from the registration requirements of the Securities Act, including Rules 144 and 145 promulgated by the SEC under the Securities Act of 1933, as amended. Affiliates include directors, executive officers and beneficial owners of 10% or more of any class of capital stock.

Pursuant to the merger agreement, Radian has agreed to deliver a letter of agreement from each person it reasonably believes to be an affiliate by which that person will agree, among other things, not to offer to sell, transfer or otherwise dispose of any of the shares of MGIC common stock distributed to him or her pursuant to the merger except in compliance with Rule 144 and Rule 145 under the Securities Act, in a transaction that is otherwise exempt from the registration requirements of the Securities Act or in an offering registered under the Securities Act. MGIC may place restrictive legends on its common stock certificates that are issued to persons who are deemed to be affiliates under the Securities Act. This joint proxy statement/prospectus does not cover any resales of MGIC common stock received in the merger by any person who may be deemed an affiliate of MGIC and Radian.

## **Public-Trading Markets**

Radian common stock is currently listed on the New York Stock Exchange under the symbol RDN. Upon completion of the merger, Radian common stock will be delisted from the New York Stock Exchange and deregistered under the Securities Exchange Act of 1934, as amended. MGIC common stock is listed on the New York Stock Exchange and trades under the symbol MTG.

The shares of MGIC common stock to be issued in connection with the merger will be freely transferable under the applicable securities laws, except for shares issued to any stockholder who may be deemed to be an affiliate of MGIC or Radian, as discussed above in Resales of MGIC Stock by Affiliates.

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**Appraisal Rights**

Under Wisconsin law, MGIC stockholders are not entitled to appraisal rights in connection with the merger. Under Delaware law, Radian stockholders are not entitled to appraisal rights in connection with the merger.

**Stock Repurchases**

During the period following the MGIC annual meeting and the completion of the merger, both MGIC and Radian may repurchase shares of its common stock in the open market. Following the merger, MGIC may repurchase shares of its common stock in the open market or pursuant to a tender offer.

**Litigation Relating to the Merger**

On February 8, 2007, a purported stockholder class action lawsuit related to the merger agreement was filed in the Court of Common Pleas, Philadelphia County, Civil Trial Division in the State of Pennsylvania by Catherine Rubery against Radian and its directors. The lawsuit alleges, among other things, that the merger consideration to be received by the Radian shareholders was inadequate and that the individual defendants, among other things, breached their duties of care, loyalty, good faith and independence to the stockholders in connection with the merger. The complaint seeks class action status as well as injunctive, declaratory and other equitable relief. Radian believes that this lawsuit is without merit and intends to vigorously defend the action.

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**THE MERGER AGREEMENT**

*The following describes the material provisions of the merger agreement, which is attached as **Annex A** to this document and is incorporated by reference into this document. The rights and obligations of the parties are governed by the express terms and conditions of the merger agreement and not by this summary or any other information contained in this document. We urge you to read the merger agreement carefully and in its entirety, as it is the legal document governing the merger.*

**The Merger**

Each of the MGIC board of directors and the Radian board of directors has approved the merger agreement which provides for the merger of Radian with and into MGIC. MGIC will be the surviving corporation and will continue its corporate existence under the laws of the State of Wisconsin under the name MGIC Radian Financial Group Inc., and the separate corporate existence of Radian will terminate. Upon the completion of the merger, each share of Radian common stock outstanding, other than shares of Radian common stock held by either MGIC or Radian, will be automatically converted into the right to receive 0.9658 shares of MGIC common stock. All shares of Radian common stock converted into shares of MGIC common stock will automatically be cancelled as of the effective time of the merger. In addition, any shares of Radian common stock held by either Radian or MGIC, or any of their respective subsidiaries, will be cancelled as of the effective time of the merger.

**Completion of the Merger**

The completion of the merger will take place on a date and at a place to be agreed upon by the parties, but no later than the fifth business day after all closing conditions have been satisfied or waived. The merger will be completed when we file articles of merger with the Wisconsin Department of Financial Institutions and a certificate of merger with the Delaware Secretary of State, unless we agree to a later time for the completion of the merger and specify that time in the articles of merger and certificate of merger. We currently expect to complete the merger in the fourth quarter of 2007, subject to receipt of required stockholder and regulatory approvals.

**Conditions to Completion of the Merger**

Our respective obligations to complete the merger are subject to the fulfillment or waiver of certain conditions, including:

the approval of the merger agreement by the holders of a majority of the outstanding shares of Radian common stock and MGIC common stock;

the receipt of all regulatory consents required to complete the merger, other than those consents the failure of which to obtain would not be reasonably expected to have a material adverse effect on the combined company, and the expiration of all related waiting periods;

the absence of any law, rule, judgment, decree, injunction or other order of any judicial or administrative agency, or other governmental authority that prohibits, restrains or makes illegal the completion of the merger;

the effectiveness of the registration statement with respect to the MGIC common stock to be issued in connection with the merger, the absence of any stop orders suspending the effectiveness of the registration statement and the absence of any initiated or threatened action, suit or investigation by the SEC to suspend the

effectiveness of the registration statement;

the authorization for listing by the New York Stock Exchange of the shares of MGIC common stock to be issued to the holders of Radian common stock upon completion of the merger;

the accuracy of the other party's representations and warranties as of the date of the merger agreement and the date of the completion of the merger (with the exception of those representations and warranties that by their terms speak specifically as of the date of the merger agreement or some other

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date, which representations and warranties will be true and correct as of such date), subject to the material adverse effect standard in the merger agreement;

the other party's due performance and compliance with the agreements and covenants of the merger agreement in all material respects;

the receipt by each party of a written legal opinion, dated as of the completion of the merger, to the effect that, on the basis of facts, representations and assumptions set forth or referred to in such opinion, the merger will constitute a reorganization within the meaning of Section 368(a) of the Code; and

the amendment of MGIC's amended and restated bylaws to provide for the composition of the combined company's board of directors, the succession of the Chief Executive Officer and Chairman of the Board of the combined company and other related governance issues.

We cannot provide assurance as to when or if all of the conditions to the merger can or will be satisfied or waived by the appropriate party. As of the date of this document, we have no reason to believe that any of these conditions will not be satisfied prior to the end of the fourth quarter of 2007.

**Reasonable Best Efforts to Obtain Required Stockholder Votes**

Each company has agreed to call a meeting of its stockholders as soon as reasonably practicable for the purpose of obtaining the required stockholder vote. In addition, each party has agreed to use its reasonable best efforts to obtain from its stockholders the required stockholder vote in favor of approval of the merger agreement. Under certain limited circumstances, a party may adjourn or postpone a stockholder meeting; however, nothing in the merger agreement is intended to relieve the parties of their respective obligations to submit the merger agreement to their stockholders for a vote on its approval.

**No Solicitation**

Each of MGIC and Radian has agreed that it will not, and will cause its controlled affiliates and its affiliates' officers, directors, agents and representatives not to:

initiate, solicit, encourage or knowingly facilitate any inquiries or proposals with respect to any acquisition proposal (as defined below);

engage or participate in any negotiations concerning, or provide any confidential or nonpublic information or data to, or have or engage or participate in any discussions with, any person relating to any acquisition proposal;

release any person from, or waive any provisions of, or otherwise fail to exercise its rights under any confidentiality, standstill or similar agreement;

withdraw, modify or qualify the recommendation of its board of directors of the merger agreement to such party's stockholders or take any action inconsistent with such recommendation, including any action to approve, recommend or endorse, or propose to approve, recommend or endorse, any acquisition proposal; or

enter into any agreement, letter or intent, agreement-in-principle, acquisition agreement or other instrument relating to any acquisition proposal or requiring the party to abandon, terminate or fail to complete any of the transactions, including the merger, contemplated by the merger agreement.

Under the merger agreement, however, if either Radian or MGIC receives an unsolicited written acquisition proposal, the recipient of such proposal may furnish nonpublic information or data, participate in negotiations or discussions, and withdraw, modify or qualify its board's recommendation of the merger agreement to the extent that its board of directors concludes, in good faith, after receiving the advice of its outside counsel and its financial advisors, that the failure to do so would violate its fiduciary duties under applicable law, and provided that prior to furnishing such nonpublic information or data, participating in such negotiations or discussions or withdrawing, modifying or qualifying its board's recommendation, it enters into

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a confidentiality and standstill agreement with the party that submitted the unsolicited written acquisition proposal on terms no less favorable than those of the confidentiality agreement between MGIC and Radian. In addition, prior to withdrawing, modifying or qualifying its board's recommendation, MGIC or Radian, as the case may be, must give the other party five business days' prior written notice of its intention to do so, and during such five day period engage in good faith negotiations to amend the merger agreement such that its board may continue to recommend approval of the merger agreement.

Each of MGIC and Radian has agreed to advise the other party within one day following receipt of any acquisition proposal or any inquiry which could reasonably be expected to lead to an acquisition proposal, including describing the substance of the acquisition proposal (including the identity of the proposing party), and to keep the other party apprised of any related developments, discussions and negotiations on a current basis. Additionally, each party has agreed to provide any non-public information to the other party at least one day prior to providing such information to a proposing party.

For purposes of the merger agreement, an acquisition proposal means, other than the transaction contemplated by the merger agreement, any proposal, offer or inquiry relating to, or any third party indication of interest in:

a transaction (or series of related transactions) pursuant to which any person, directly or indirectly, acquires or would acquire more than 15% of the outstanding shares of such party's common stock or outstanding voting power or of any new series or new class of preferred stock that would be entitled to a class or series vote with respect to the merger or that would be entitled to greater than 15% of the fair market value of the outstanding equity interest of such party, whether from such party or pursuant to a tender offer, exchange offer or otherwise;

a merger, share exchange, consolidation, other business combination, the sale of all or substantially all of the assets, liquidation, dissolution or similar transaction, involving such party or any of its significant subsidiaries;

any transaction pursuant to which any person acquires or would acquire control of assets of such party or any of its significant subsidiaries representing more than 15% of the fair market value of all the assets, net revenues or net income of such party and its subsidiaries immediately prior to such transaction; or

any other consolidation, business combination or similar transaction involving a party or any of its subsidiaries.

## **Termination**

The merger agreement may be terminated, and the merger abandoned, by both Radian and MGIC at any time before the merger is completed if a majority of both of our boards of directors vote to do so. In addition, the merger agreement may be terminated, and the merger abandoned, by either of our boards of directors if:

any governmental entity that must grant a material required regulatory approval has denied approval of the merger and such denial has become final and nonappealable or any governmental entity has issued a final nonappealable order permanently enjoining or otherwise prohibiting the completion of the merger;

the merger is not completed on or before February 6, 2008, unless the failure to complete the merger by that date is due to the terminating party's failure to abide by the merger agreement;

there is a breach by the other party that would cause the failure of the closing conditions described above, unless the breach is capable of being, and is, cured within 45 days of notice of the breach;



the stockholders of either party fail to adopt the merger agreement;

the board of directors of the other party fails to recommend that its stockholders vote in favor of approving the merger agreement or withdraws, modifies or qualifies its recommendation in a manner adverse to the terminating party;

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the board of directors of the other party recommends or endorses an acquisition proposal other than the merger agreement; or

the other party substantially fails to comply with its obligation to call a meeting of its stockholders and use its reasonable best efforts to cause its stockholders to adopt the merger agreement or breaches its non-solicitation covenant.

*Effect of Termination.* If the merger agreement is terminated and abandoned, it will become void and there will be no liability on the part of Radian or MGIC or their respective subsidiaries, directors or officers, except that:

designated provisions of the merger agreement will survive the termination, including provisions relating to the payment of fees and expenses, non-survival of the representations and warranties and confidential treatment of information;

termination will not relieve a breaching party from liability for any uncured willful breach of the merger agreement or for any liabilities or damages, which is not limited to the reimbursement of expenses and may include the benefit of the bargain lost; and

MGIC or Radian will, under limited circumstances, pay the termination fee described below.

*Termination Fee.* The merger agreement provides that a termination fee in the amount of \$185 million is payable by Radian to MGIC:

If a takeover proposal is made by a third party to Radian after the date of the merger agreement and the merger agreement is terminated (A) by either MGIC or Radian, because the necessary stockholder vote was not obtained, (B) by MGIC, because of a willful material breach of the merger agreement by Radian or (C) by MGIC, because the first anniversary of the merger agreement passes because of a willful material breach by Radian, and either:

within 12 months after termination of the merger agreement, Radian completes an acquisition proposal, or

within 12 months after termination of the merger agreement, Radian enters into a definitive acquisition agreement related to an acquisition proposal with a third party.

If MGIC terminates the merger agreement because Radian's board of directors (A) failed to recommend in the joint proxy statement the approval of the merger agreement, (B) resolved to approve an acquisition proposal, or (C) failed to recommend against acceptance of a tender offer or exchange offer within 10 business days after the commencement of such tender or exchange offer or knowingly breached its obligations relating to regulatory matters, stockholders' approvals, or third party acquisition proposals.

The merger agreement provides that a termination fee in the amount of \$185 million is payable by MGIC to Radian:

If a takeover proposal is made by a third party to MGIC after the date of the merger agreement and the merger agreement is terminated by (A) either MGIC or Radian, because the necessary stockholder vote was not obtained, (B) by Radian, because of a willful material breach of the merger agreement covenants by MGIC or (C) by Radian, because the first anniversary of the merger agreement passes because of a willful material breach by MGIC, and either:

within 12 months after termination of the merger agreement, MGIC completes an acquisition proposal, or

within 12 months after termination of the merger agreement, MGIC enters into a definitive acquisition agreement related to an acquisition proposal with a third party.

If Radian terminates the merger agreement because MGIC's board of directors (A) failed to recommend in the joint proxy statement the approval of the merger agreement, (B) resolved to approve an

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acquisition proposal, or (C) failed to recommend against acceptance of a tender offer or exchange offer within 10 business days after the commencement of such tender or exchange offer or knowingly breached its obligations relating to regulatory matters, stockholders' approvals, or third party acquisition proposals.

### **Name; Headquarters**

The name of the combined company will be MGIC Radian Financial Group Inc. The location of the headquarters and principal office of the combined company and the mortgage insurance line of business will be Milwaukee, Wisconsin. Any change to the provisions relating to these headquarters and the name of the combined company will require the affirmative vote of at least 75% of the entire board of directors.

The name used in the operation of the mortgage insurance line of business will be Mortgage Guaranty Insurance Corporation and the name used in the financial guaranty line of business will be Radian Asset Assurance. The financial guaranty business of the combined company will continue to be based in New York, New York, and various functions of the combined company may be based in Philadelphia, Pennsylvania. Changes to the provisions in this paragraph are not subject to the supermajority vote requirement referenced above.

### **Bylaw Amendments**

MGIC's board of directors has agreed to approve changes to the MGIC amended and restated bylaws which will become effective upon the completion of the merger. These amendments will affect the corporate governance agreements described below, as well as those matters described in the first paragraph of Name; Headquarters.

### ***Executive Officers of the Combined Company***

Following the completion of the merger, Curt S. Culver, Chairman of the Board and Chief Executive Officer of MGIC, will serve as Chairman of the Board and Chief Executive Officer of the combined company, and Sanford A. Ibrahim, Chief Executive Officer of Radian, will serve as President and Chief Operating Officer of the combined company. Following the completion of the merger, Mr. Ibrahim will be the successor to Mr. Culver as Chief Executive Officer of the combined company, with such succession to become effective on the date of the combined company's 2009 annual stockholders meeting (provided, however, that if the completion of the merger occurs after July 1, 2007, the succession will take place on September 1, 2009), or any such earlier date as of which Mr. Culver ceases for any reason to serve in the position of Chief Executive Officer of the combined company. In addition, Mr. Ibrahim will be the successor to Mr. Culver as Chairman of the Board of Directors of the combined company, with such succession to become effective on the date of the combined company's 2010 annual stockholders meeting or any such earlier date as of which Mr. Culver ceases for any reason to serve in the position of Chairman of the Board of Directors of the combined company. At such time, Mr. Culver will also resign from the combined company's board of directors.

Other persons who will serve as executive officers for the combined company after the merger, and their areas of responsibility, include: J. Michael Lauer, Chief Financial Officer; Jeffrey H. Lane, General Counsel; Teresa A. Bryce, Head of Corporate Strategy and Corporate Secretary; Lawrence Pierzchalski, Head of Risk Management in Mortgage Insurance; Martin Wood, Head of International in Mortgage Insurance; Mark A. Casale, Head of Capital Markets in Mortgage Insurance; Patrick Sinks, Head of Mortgage Insurance (domestic); Stephen D. Cooke, Head of Financial Guaranty; Lawrence DelGatto, Head of Information Technology; and Robert E. Croner, Head of Human Resources.

### ***Composition of the Board of Directors***

Upon completion of the merger, the board of directors of the combined company will consist of six current directors of MGIC designated by MGIC and five current directors of Radian designated by Radian. Promptly upon completion of the merger, the combined company will convene a special stockholder meeting to vote on the addition of an additional Radian director. The former MGIC directors and former Radian

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directors will be equally apportioned among three equal classes of the combined company's board of directors. Mr. Herbert Wender will be the lead director of the combined company's board and will serve in such capacity until the 2009 fiscal year. Mr. Wender will also be nominated to serve as a director of the combined company until the expiration of the term of the class of directors which expires at the combined company's annual meeting of stockholders in 2012, at which time he will resign from the board of directors.

In addition to Mr. Culver, the merger agreement contemplates that Kenneth M. Jastrow, II, the chairman of the MGIC board's management development, nominating and governance committee, will become a director of the combined company. The management development, nominating and governance committee, in consultation with Mr. Culver, will make a recommendation to MGIC's board on which directors of MGIC should be designated by MGIC as directors of the combined company. The MGIC board will determine which directors should be so designated.

### ***Committees of the Board of Directors***

Until the 2010 annual meeting of the combined company, the chairmanships of the committees of the board of directors of the combined company will be divided as evenly as possible between individuals who are former MGIC directors and those who are former Radian directors, and the total membership on such committees will include an equal number of former MGIC directors and former Radian directors.

From the completion of the merger until such time as the sixth former Radian director is elected to the combined company's board of directors, the combined company's board of directors will have an Executive Committee consisting of two former MGIC board members and two former Radian board members, which Executive Committee will be formed to approve (by majority vote of the entire such Committee) all non-ordinary course business to be brought before the full combined company board of directors (other than such business as may be proposed by the combined company's committees responsible for discharging the duties imposed by the rules of the New York Stock Exchange on audit, compensation and corporate governance/nominating committees).

### **Other Covenants and Agreements**

Each of MGIC and Radian has made customary agreements that place restrictions on it and its subsidiaries until the effective time of the merger. In general, MGIC and Radian and their respective subsidiaries are required to use their reasonable best efforts to maintain and preserve intact their business organizations, assets, employees and relationships with customers, suppliers, employees and business associates. In addition, MGIC and Radian and their respective subsidiaries are required to conduct their business in the ordinary course and to take no action that would adversely affect or delay the ability of any party to obtain any required consents or perform its covenants and agreements under the merger agreement or complete the merger on a timely basis. Each of MGIC and Radian has also agreed that, with certain exceptions, it will not, and will not permit any of its subsidiaries to, without the prior written consent of the other party:

incur any indebtedness, become responsible for the obligations of another or make any loan or advance, in all cases other than in the ordinary course of business;

adjust, split, combine or reclassify any capital stock;

make, declare or pay any dividends or other distribution on, or redeem, purchase or otherwise acquire, any shares of its capital stock other than regular quarterly dividends and certain other exceptions; however the MGIC and Radian boards of directors have each authorized certain officers of the respective companies to waive the other company's compliance with the covenant not to acquire or purchase any shares of its own capital stock, but only in an amount not to exceed five million shares; in addition, the Radian board has

authorized certain officers to waive compliance with the prohibition (which is contained in the confidentiality agreement between the two companies) on MGIC purchasing Radian shares, but only in an amount not to exceed two million shares in the aggregate, subject to certain conditions;

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grant any stock options or other rights to acquire shares of its capital stock, stock appreciation rights, performance shares, restricted stock units or other equity-based interests, other than pursuant to certain existing plans and agreements in the ordinary course of business;

issue any additional shares of capital stock, other than pursuant to outstanding equity-based awards;

sell, transfer, mortgage, encumber or otherwise dispose of any of its material properties or assets, except in the ordinary course of business or pursuant to agreements in force at the date of the merger agreement;

make any material investment, other than in the ordinary course of business or pursuant to agreements in force at the date of the merger agreement;

terminate or waive any material provision of any material contract or instrument, other than in the ordinary course of business;

other than as required under current benefit plans and subject to certain exceptions, increase the compensation or benefits of any of its employees, enter into or amend any benefit plan or contract or employment agreement, or accelerate vesting of any stock options or other stock-based awards; or

settle any material claim, action or proceeding, other than in the ordinary course of business.

**Representations and Warranties**

The merger agreement contains reciprocal representations and warranties of MGIC and Radian relating to their respective businesses, including as relates to:

corporate organization, standing and power, and subsidiaries;

capitalization;

requisite corporate authority to enter into the merger agreement and to complete the contemplated transactions;

consents needed to complete the merger;

securities and regulatory filings;

financial statements;

broker's fees;

absence of certain changes or events;

litigation;

tax matters;

employee benefit matters;



SEC reports;

compliance with permits, laws and orders;

contracts;

agreements with regulatory agencies;

interest rate risk management instruments;

environmental matters;

investment securities and commodities;

title;

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intellectual property;

rating agencies;

state takeover laws;

the merger qualifying as a reorganization;

fairness opinions; and

accuracy of information supplied for inclusion in this document and other similar documents.

The representations described above and included in the merger agreement were made for purposes of the merger agreement and are subject to qualifications and limitations agreed to by the respective parties in connection with negotiating the terms of the merger agreement. In addition, certain representations and warranties were made as of a specific date, may be subject to a contractual standard of materiality different from what might be viewed as material to stockholders, or may have been used for purposes of allocating risk between the respective parties rather than establishing matters as facts. This description of the representations and warranties, and their reproduction in the copy of the merger agreement attached to this document as **Annex A**, are included solely to provide investors with information regarding the terms of the merger agreement. Accordingly, the representations and warranties and other provisions of the merger agreement should not be read alone, but instead should only be read together with the information provided elsewhere in this document and in the documents incorporated by reference into this joint proxy statement/prospectus, including the periodic and current reports and statements that MGIC and Radian file with the SEC. See [Where You Can Find More Information](#).

## **Employee Benefit Plans**

The merger agreement provides that after the completion of the merger, MGIC, at its election, may, with respect to Radian employees who become MGIC employees following the completion of the merger, either:

maintain for the benefit of such continuing Radian employees the benefit plans maintained by Radian immediately prior to the completion of the merger; or

provide employee benefits under existing or new MGIC compensation and benefit plans on terms and conditions that are the same for similarly situated employees of MGIC.

MGIC will recognize, for purposes of participation, vesting and benefit accrual (but not for benefit accrual with respect to any plan in which such credit would result in a duplication of benefits) all service with Radian as service with MGIC.

## **Expenses and Fees**

In general, each party will be responsible for all expenses incurred by it in connection with the negotiation and completion of the transactions contemplated by the merger agreement. However, MGIC and Radian will each pay one-half of the costs incurred in connection with the preparation (including printing and filing) of this joint proxy statement/prospectus.

## **Possible Alternative Merger Structure**

The merger agreement provides that MGIC and Radian may mutually agree to change the structure of the merger. However, no change may be made that:

alters or changes the amount or kind of consideration to be issued to Radian stockholders;

adversely affects the tax treatment of Radian's stockholders pursuant to the merger agreement; or

materially impedes or delays completion of the merger in a timely manner.

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**Amendment or Waivers**

Subject to applicable law, the merger agreement may be amended by written agreement between the parties at any time before or after approval of the merger by the stockholders of MGIC and Radian; provided, that after approval of the merger by the stockholders of MGIC or Radian, there may not be, without further approval of such stockholders, any amendment of the merger agreement that changes the amount or the form of consideration to be delivered to Radian stockholders. Each of MGIC and Radian may also, to the extent legally allowed, extend the time for the performance of obligations under the merger agreement, waive any inaccuracies in the representations and warranties or waive compliance with the provisions of the merger agreement by the party benefited by those provisions, provided that after approval of MGIC or Radian stockholders is obtained, there may not be a waiver or extension without further approval of such stockholders, which reduces the amount or changes the form of the consideration to be delivered to the Radian stockholders.

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**INFORMATION ABOUT THE COMPANIES**

**About MGIC Investment Corporation**

MGIC Investment Corporation (NYSE: MTG), headquartered in Milwaukee, Wisconsin, is a holding company which, through its wholly-owned subsidiary Mortgage Guaranty Insurance Corporation, is a provider of private mortgage insurance in the United States with \$176.5 billion primary insurance in force covering 1.3 million mortgages as of December 31, 2006. During 2006, MGIC served approximately 3,600 lenders with locations across the country and in Puerto Rico and Guam, helping families achieve homeownership sooner by making affordable low downpayment mortgages a reality. In addition to mortgage insurance on first liens, MGIC through other subsidiaries, provides lenders with various underwriting and other services and products related to home mortgage lending. MGIC, along with Radian, also has interests in Credit-Based Asset Servicing and Securitization LLC and Sherman Financial Group LLC, which are less than majority-owned joint ventures for each company. Credit-Based Asset Servicing and Securitization LLC is principally engaged in the business of investing in the credit risk of credit sensitive single-family residential mortgages. Sherman Financial Group LLC 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. Additional information about MGIC can be found at <http://www.mgic.com>. Information contained on the MGIC website is expressly not incorporated by reference into this joint proxy statement/prospectus.

MGIC's principal executive offices are located at 250 East Kilbourn Avenue, Milwaukee, Wisconsin 53202 and its telephone number is (414) 347-6480.

Additional information about MGIC and its subsidiaries is included in documents incorporated by reference in this document. See [Where You Can Find More Information](#).

**About Radian Group Inc.**

Radian (NYSE: RDN) is a global credit risk management company headquartered in Philadelphia, Pennsylvania with significant operations in New York and London. Radian develops innovative financial solutions by applying its core mortgage insurance and credit risk expertise as well as structured finance capabilities to the credit enhancement needs of the capital markets worldwide, primarily through credit insurance products. Radian also provides credit enhancement for public finance and other corporate and consumer assets on both a direct and reinsurance basis and, together with MGIC, holds interests in Credit-Based Asset Servicing and Securitization LLC and Sherman Financial Group LLC, which are less than majority-owned joint ventures for each company. Credit-Based Asset Servicing and Securitization LLC is principally engaged in the business of investing in the credit risk of credit sensitive single-family residential mortgages. Sherman Financial Group LLC 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. Additional information about Radian can be found at <http://www.radian.biz>. Information contained on the Radian website is expressly not incorporated by reference into this joint proxy statement/prospectus.

Radian's principal executive offices are located at 1601 Market Street, Philadelphia, Pennsylvania 19103 and its telephone number is (215) 231-1000.

Additional information about Radian and its subsidiaries is included in documents incorporated by reference in this document. See [Where You Can Find More Information](#).



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**DESCRIPTION OF MGIC CAPITAL STOCK**

In this section, we describe the material features and rights of the MGIC capital stock, none of which will be affected by the merger. This summary is qualified in its entirety by reference to applicable Wisconsin law, MGIC's articles of incorporation and MGIC's amended and restated bylaws, as described below. See [Where You Can Find More Information](#).

**General**

MGIC is currently authorized to issue 300 million shares of common stock having a par value of \$1.00 per share and 10 million shares of preferred stock having a par value of \$1.00 per share. Each share of MGIC common stock has the same relative rights as, and is identical in all respects to, each other share of MGIC common stock.

**Common Stock**

*Dividends.* Subject to certain regulatory restrictions, MGIC can pay dividends out of statutory surplus or from certain net profits if, as and when declared by its board of directors. Following the completion of the merger, the holders of common stock of MGIC will be entitled to receive and share equally in such dividends as may be declared by the board of directors of MGIC out of funds legally available therefor. If MGIC issues preferred stock, the holders thereof may have a priority over the holders of the common stock with respect to dividends.

*Voting Rights.* The holders of common stock of MGIC possess exclusive voting rights in MGIC. They elect the MGIC board of directors and act on such other matters as are required to be presented to them under Wisconsin law, MGIC's organizational documents or as are otherwise presented to them by the MGIC board of directors. Each holder of common stock is entitled to one vote per share and does not have any right to cumulate votes in the election of directors. If MGIC issues preferred stock, holders of the preferred stock may also possess voting rights. See [Comparison of Stockholders' Rights](#).

*Liquidation.* In the event of liquidation, dissolution or winding up of MGIC, the holders of its common stock would be entitled to receive, after payment or provision for payment of all of its debts and liabilities, all of the assets of MGIC available for distribution. If preferred stock is issued, the holders thereof may have a priority over the holders of the MGIC common stock in the event of liquidation or dissolution.

**Preferred Stock**

There are no shares of MGIC preferred stock issued or outstanding. Shares of MGIC preferred stock may be issued with such designations, preferences, limitations and relative rights as the MGIC board of directors may from time to time determine. The MGIC board of directors can, without stockholder approval, issue preferred stock with voting, dividend, liquidation and conversion rights which could dilute the voting strength of the holders of the common stock. In connection with the amendment of MGIC's articles of incorporation that authorized preferred stock, MGIC's board of directors and management represented that they will not issue, without prior stockholder approval, preferred stock (i) for any defensive or anti-takeover purpose, (ii) to implement any shareholder rights plan, or (iii) with features intended to make any attempted acquisition of MGIC more difficult or costly. No preferred stock will be issued to any individual or group for the purpose of creating a block of voting power to support management on a controversial issue.





**Table of Contents****COMPARATIVE MARKET PRICES AND DIVIDENDS**

MGIC common stock and Radian common stock are listed on the New York Stock Exchange. The following table sets forth the high and low trading prices of shares of MGIC common stock and Radian common stock as reported on the New York Stock Exchange, and the quarterly cash dividends declared per share for the periods indicated. MGIC stockholders and Radian stockholders are advised to obtain current market quotations for MGIC common stock and Radian common stock. The market price of MGIC common stock and Radian common stock will fluctuate between the date of this joint proxy statement/prospectus and the completion of the merger. No assurance can be given concerning the market price of MGIC common stock or Radian common stock before the effective date of the registration statement, or the market price of MGIC common stock after the effective date of the registration statement.

	<b>MGIC Common Stock</b>			<b>Radian Common Stock</b>		
	<b>High</b>	<b>Low</b>	<b>Dividend</b>	<b>High</b>	<b>Low</b>	<b>Dividend</b>
<b>2005</b>						
First Quarter	\$ 70.00	\$ 59.98	\$ 0.075	\$ 53.36	\$ 46.15	\$ 0.02
Second Quarter	66.48	56.93	0.150	48.08	42.90	0.02
Third Quarter	70.02	60.56	0.150	54.58	46.73	0.02
Fourth Quarter	67.75	56.70	0.150	60.38	47.40	0.02
<b>2006</b>						
First Quarter	\$ 72.73	\$ 62.01	\$ 0.250	\$ 61.41	\$ 54.53	\$ 0.02
Second Quarter	71.48	63.05	0.250	65.80	57.68	0.02
Third Quarter	65.29	53.96	0.250	65.18	57.95	0.02
Fourth Quarter	63.50	56.22	0.250	62.08	51.61	0.02
<b>2007</b>						
First Quarter	\$ 70.10	\$ 54.59	\$ 0.250	\$ 67.35	\$ 51.68	\$ 0.02
Second Quarter (through April 4, 2007)	58.80	56.96		54.84	53.13	

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**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**MGIC INVESTMENT CORPORATION AND RADIAN GROUP INC.**

The following Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet combines the historical Consolidated Balance Sheet of MGIC and its subsidiaries and the historical Consolidated Balance Sheet of Radian and its subsidiaries giving effect to the merger as if it had occurred on December 31, 2006, as an acquisition by MGIC of Radian using the purchase method of accounting and giving effect to the related unaudited pro forma adjustments described in the accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Statements.

The following Unaudited Pro Forma Condensed Combined Consolidated Statements of Income for the year ended December 31, 2006, combine the historical Consolidated Statements of Income of MGIC and its subsidiaries and Radian and its subsidiaries giving effect to the merger as if the merger had become effective on January 1, 2006, as an acquisition by MGIC of Radian using the purchase method of accounting and giving effect to the related unaudited pro forma adjustments described in the accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Statements. As described in the accompanying notes, the pro forma adjustments include the sale of interests in joint ventures and the related reduction in joint venture income.

The Unaudited Pro Forma Condensed Combined Financial Statements included herein are presented for informational purposes only. This information includes various estimates and may not necessarily be indicative of the financial position or results of operations that would have occurred if the merger had been completed on the date or at the beginning of the period indicated or which may be attained in the future. The Unaudited Pro Forma Condensed Consolidated Financial Statements and accompanying notes should be read in conjunction with and are qualified in their entirety by reference to the historical financial statements and related notes thereto of MGIC and its subsidiaries and Radian and its subsidiaries, such information and notes thereto incorporated by reference herein.

We anticipate that the merger will provide the combined company with financial benefits that include reduced operating expenses. Conversely, we anticipate that initially the revenues of the combined company following the merger will be lower than the combined revenues of MGIC and Radian prior to the merger. The unaudited pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the impact of expected cost savings, anticipated revenue reductions, the impact of restructuring costs or the amortization of other intangibles that may be identified upon further analysis and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during these periods.

**Table of Contents****MGIC INVESTMENT CORPORATION AND RADIAN GROUP INC.****Unaudited Pro Forma Condensed Combined Balance Sheet  
As of December 31, 2006**

	<b>Historical MGIC</b>	<b>Historical Radian</b>	<b>Reclassifications</b>	<b>Unaudited Pro Forma Adjustments</b>	<b>Unaudited Pro Forma Combined</b>
	<b>(In millions of dollars)</b>				
<b>Assets</b>					
Fixed maturities, available for sale at fair value	\$ 5,250	\$ 4,976	\$	\$	\$ 10,226
Fixed maturities, held to maturity at amortized cost		84		3 (a)	87
Trading securities, at fair value		128			128
Equity securities, at fair value	2	298			300
Short-term investments		239			239
Other invested assets		20			20
<b>Total investments</b>	<b>5,252</b>	<b>5,745</b>		<b>3</b>	<b>11,000</b>
Cash and cash equivalents	294	58		901 (b)	1,253
Accrued investment income	65	63			128
Deferred policy acquisition costs	13	222		(222)(c)	13
Investment in joint ventures/affiliates	656	619		450 (d) (901)(e)	824
Reinsurance recoverables on loss reserves	13	12			25
Prepaid reinsurance premiums	10				10
Prepaid federal income taxes		809	(809)(A)		
Accounts and notes receivable		56	(56)(B)		
Property and equipment	33	34			67
Goodwill	8			851 (f)	859
Other intangibles	9			227 (g)	236
Other assets	269	311	56 (B)		636
<b>Total assets</b>	<b>\$ 6,622</b>	<b>\$ 7,929</b>	<b>\$ (809)</b>	<b>\$ 1,309</b>	<b>\$ 15,051</b>
<b>Liabilities</b>					
Loss reserves	\$ 1,126	\$ 842	\$	\$	\$ 1,968
Unearned premiums	190	944			1,134
Debt	781	748		13 (h)	1,542
Deferred federal income taxes, net		1,130	(1130)(A)		
Accounts payable and accrued expenses		197	(197)(C)		

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Other liabilities	229		518 (A)(C)	40 (i) 156 (j)	943
Total liabilities	2,326	3,861	(809)	209	5,587
<b>Shareholders equity</b>					
Common stock	123			42 (k)	165
Paid-in capital	310	1,347		(1,347)(l) (913)(m) 75 (n) 4,068 (o)	3,540
Treasury stock	(2,202)	(931)		931 (p) 1,896 (q)	(306)
Accumulated other comprehensive income	66	162		(162)(r)	66
Retained earnings	5,999	3,490		(3,490)(s)	5,999
Total shareholders equity	4,296	4,068		1,100	9,464
Total liabilities and shareholders equity	\$ 6,622	\$ 7,929	\$ (809)	\$ 1,309	\$ 15,051

See accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Statements.

**Table of Contents****MGIC INVESTMENT CORPORATION AND RADIAN GROUP INC.****Unaudited Pro Forma Condensed Combined Income Statement  
For the Year Ended December 31, 2006**

	<b>Historical MGIC</b>	<b>Historical Radian</b>	<b>Reclassifications</b>	<b>Unaudited Pro Forma Adjustments</b>	<b>Unaudited Pro Forma Combined</b>
	<b>(In millions, except per share data)</b>				
Net premiums written	\$ 1,217	\$ 1,112	\$	\$	\$ 2,329
(Increase) decrease in unearned premiums	(30)	(96)			(126)
Net premiums earned	1,187	1,016			2,203
Investment income, net of expenses	241	234			475
Realized investment (losses) gains, net	(4)	41			37
Change in fair value of derivative instruments		16			16
Other revenue	45	21			66
Total revenues	1,469	1,328			2,797
Losses and expenses:					
Losses incurred, net	614	369			983
Policy acquisition costs		112	(112)(D)		
Underwriting and other expenses	291	243	112 (D)	(112)(t) 57 (u)	591
Interest expense	39	48		(2)(v)	85
Total losses and expenses	944	772		(57)	1,659
Equity in net income of affiliates		257	(257)(E)		
Pretax income		813	(813)(E)		
Income before tax and joint ventures	525		556 (E)	57	1,138
Provision for income tax	130	231	(90)(E)	20 (w)	291
Income from joint ventures, net of tax	170		167 (E)	(132)(x) (12)(y)	193
Net income	\$ 565	\$ 582	\$	\$ (107)	\$ 1,040
Earnings per share:					
Basic	\$ 6.70	\$ 7.16			\$ 6.39(*)

Diluted	\$ 6.65	\$ 7.08		\$ 6.33(*)
Weighted average common shares outstanding				
Basic	84.3	81.3	(2.8)	162.8
Diluted	84.9	82.3	(2.8)	164.4

(\*) Assuming that the parties complete the merger, the combined company intends to repurchase shares of common stock for an aggregate purchase price of approximately \$1.0 billion and for that purpose anticipates using available funds and incurring indebtedness of approximately \$650 million. The unaudited pro forma condensed combined financial statements do not give effect to these anticipated repurchases, the incurrence of such indebtedness or the use of available funds for such stock repurchases. Under current SEC guidance, these anticipated transactions do not qualify as appropriate bases for pro forma adjustments. There is no certainty that the combined company will be able to effect these transactions or as to their timing. In fact, it could require an extended period of time to effect repurchases of this magnitude. However, assuming these anticipated transactions had taken place on January 1, 2006, with an assumed per share repurchase price of \$66.41 and an assumed interest rate of 6.75%, adjusting the pro forma combined results reflected above to also give effect to these transactions would result in the following:

Earnings per share:

Basic \$6.84

Diluted \$6.77

See accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Statements.

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**MGIC INVESTMENT CORPORATION AND RADIAN GROUP INC.**

**Notes to the Unaudited Pro Forma Condensed Combined Financial Statements  
As of and for the Year ended December 31, 2006**

**Note 1. General**

The merger will be accounted for as an acquisition by MGIC of Radian using the purchase method of accounting, under accounting principles generally accepted in the United States of America ( US GAAP ), reflecting the acquisition by MGIC of Radian and, accordingly, the assets and liabilities of Radian will be recorded at their respective fair values on the date the merger is completed. The merger will be effected by the issuance of MGIC common stock, par value \$1.00 per share, to Radian stockholders. Each share of Radian common stock will be exchanged for 0.9658 of a share of MGIC common stock. The shares of MGIC common stock issued to effect the merger will be recorded at \$66.41 per share. Following current accepted practice under US GAAP, this amount was determined by averaging the price of shares of MGIC common stock over a four-day period surrounding the date the merger was announced, as described in Note 2. below. In 2005, the Financial Accounting Standards Board issued an exposure draft of the proposed Statement of Financial Accounting Standards, *Business Combinations: a replacement of FASB Statement No. 141*. A final standard is expected to be issued in 2007. When adopted, the proposed standard will change accounting standards and practices for business combinations. If this replacement standard is adopted with an effective date prior to the acquisition date of this merger, it may change how this transaction is accounted for under US GAAP.

The unaudited pro forma financial information includes estimated adjustments to record assets and liabilities of Radian at their respective fair values. The unaudited pro forma adjustments included herein are subject to change as additional information becomes available and as additional analyses are performed.

The final allocation of the purchase price will be determined after the merger is completed and additional analyses are performed to determine the fair values of Radian's tangible and identifiable intangible assets and liabilities as of the date the merger is completed. Changes in the fair value of the net assets of Radian as of the date of the merger will change the amount of purchase price allocable to excess purchase price. The further refinement of transaction costs will change the amount of excess purchase price recorded. In addition, changes in Radian's stockholders' equity, including net income, between January 1, 2007 and the date of the merger will also change the amount of excess purchase price recorded. The final adjustments may be materially different from the unaudited pro forma adjustments presented herein.

The unaudited pro forma financial information for the merger is included only as of and for the year ended December 31, 2006. The unaudited pro forma information is not necessarily indicative of the results of operations or the combined financial position that would have resulted had the merger been completed at the beginning of the applicable periods presented, nor is it necessarily indicative of the results of operations in future periods or the future financial position of the combined company.

**Note 2. Purchase Price and Goodwill**

The computation of the estimated purchase price, the allocation of the estimated purchase price to the net assets of Radian based on fair values estimated at December 31, 2006, the preliminary estimated intangibles and the resulting amount of goodwill are shown below. The stock price used in determining the estimated purchase price is based on an average of the closing prices of MGIC common stock for the two trading days before through the two trading days after MGIC and Radian announced their merger on February 6, 2007.





Table of Contents**MGIC INVESTMENT CORPORATION AND RADIAN GROUP INC.****Notes to the Unaudited Pro Forma Condensed Combined Financial Statements (Continued)**

The final allocation of the purchase price will be determined after the merger is completed and after completion of a thorough analysis to determine the fair values of Radian's tangible and identifiable intangible assets and liabilities. Accordingly, the final purchase accounting adjustments could be materially different from the preliminary pro forma adjustments presented herein. Any increase or decrease in the fair value of Radian's tangible and intangible assets, liabilities, commitments and other items as compared to the information shown herein will change the purchase price allocable to goodwill and may impact the combined income statements due to adjustments to amortization or accretions related to the adjusted assets or liabilities.

	<b>December 31, 2006</b> <b>(In millions of dollars,</b> <b>except share and</b> <b>per share amounts)</b>	
Purchase price:		
Radian's shares outstanding at December 31, 2006	79,401,691	
Exchange Ratio	0.9658	
Total shares	76,686,153	
Purchase price per share	\$ 66.41	
Purchase price related to shares		\$ 5,093
(n) Estimated fair value of Radian employee stock options and equity awards exchanged		75
(i) Estimated direct transaction costs		40
Total preliminary estimated purchase price		5,208
Net assets acquired		
Radian's shareholders' equity at December 31, 2006		(4,068)
Excess of purchase price over carrying amount of net assets acquired		1,140
Estimated amounts allocated to assets and liabilities assumed in the merger		
Fixed maturity investments	\$ (3)	
Deferred policy acquisition costs	222	
Investments in joint ventures	(450)	
Debt	13	
Deferred income taxes	156	
		(62)
Other intangible assets		
In force book mortgage insurance		(117)
Insured portfolio financial guaranty		(110)

(f) Goodwill \$ 851

- (n) When the merger is completed, Radian equity awards will be converted into similar equity awards for MGIC common stock. The vesting of unvested Radian equity awards will be accelerated to vest at the time the merger is completed, subject to certain exceptions. For additional information about the conversion and acceleration of Radian equity awards, see the section entitled Interests of Radian's Directors and Officers in the Merger-Equity-Based Compensation. The estimated fair value of equity awards that will be issued by MGIC in exchange for Radian equity awards is \$75 million and is included in the purchase price. The fair value of the equity awards was estimated by using the Black-Scholes pricing model for stock options and the intrinsic value for other equity awards at December 31, 2006.
- (i) MGIC estimates that it will incur direct transaction costs of approximately \$40 million. These costs are also included in the preliminary estimated purchase price.

**Table of Contents****MGIC INVESTMENT CORPORATION AND RADIAN GROUP INC.****Notes to the Unaudited Pro Forma Condensed Combined Financial Statements (Continued)****Note 3. Unaudited Pro Forma Reclassifications**

Certain amounts in the historical consolidated financial statements of Radian have been reclassified to conform to the MGIC financial statement presentation as follows:

- (A) The net of prepaid federal income taxes and deferred federal income taxes has been reclassified to other liabilities.
- (B) Accounts and notes receivable have been reclassified to other assets.
- (C) Accounts payable and accrued expenses have been reclassified to other liabilities.
- (D) Policy acquisition costs have been reclassified to underwriting and other expenses.
- (E) Equity in net income of affiliates has been reclassified to income from joint ventures, and has been presented net of tax.

**Note 4. Unaudited Pro Forma Combined Balance Sheet and Income Statement Adjustments**

The unaudited pro forma adjustments related to the preliminary Unaudited Pro Forma Condensed Combined Balance Sheet as of December 31, 2006 assume the merger took place on December 31, 2006.

The following unaudited pro forma adjustments result from the allocation of the purchase price for the acquisition based on the fair value of the assets and liabilities acquired from Radian. Certain other adjustments made pertain to estimated liabilities for direct transaction costs, deferred income taxes on fair value adjustments and asset sales related to the merger.

	<b>Increase (Decrease)</b>
Assets:	
(a) Fixed maturities, adjust to fair value	\$ 3
(b) Proceeds from sale of joint venture interests to reduce ownership below 50%	901
(c) Deferred policy acquisition costs, adjust to fair value	(222)
(d) Investment in joint ventures, adjust to fair value	450
(e) Sale of joint venture interests to reduce ownership below 50%	(901)
(f) Goodwill	851
(g) Other intangible asset adjustments	
In force book mortgage insurance	\$ 117
Insured portfolio financial guaranty	110
	227

Total asset adjustments	\$ 1,309
Liabilities:	
(h) Debt, adjust to fair value	\$ 13
(i) Liability for direct transaction costs	40
(j) Deferred tax liability on fair value adjustments, except goodwill	156
Total liability adjustments	209
Shareholders' equity:	
Common stock:	
(k) Shares of MGIC common stock to be issued to Radian shareholders	42

**Table of Contents****MGIC INVESTMENT CORPORATION AND RADIAN GROUP INC.****Notes to the Unaudited Pro Forma Condensed Combined Financial Statements (Continued)**

	<b>Increase (Decrease)</b>
Paid-in capital:	
(l) Radian's historical paid-in capital	(1,347)
(m) Purchase price in excess of Radian's historical shareholders' equity, adjusted for common stock and treasury stock issued	(913)
(n) Fair value of Radian's stock options and equity awards exchanged	75
(o) Radian's historical shareholders' equity	4,068
Treasury stock:	
(p) Radian's historical treasury stock	931
(q) Shares of MGIC treasury stock to be issued to Radian shareholders	1,896
Accumulated other comprehensive income:	
(r) Radian's historical other comprehensive income	(162)
Retained earnings:	
(s) Radian's historical retained earnings	(3,490)
Total shareholders' equity adjustments	1,100
Total liability and shareholders' equity adjustments	\$ 1,309

The unaudited pro forma combined income statement adjustments assume the merger took place on January 1, 2006. The following unaudited pro forma adjustments related to the pro forma combined condensed statement of income reflect estimated amortization on a seven year sum-of-the-years' digits method for the estimated identifiable intangibles related to the merger, estimated amortization of the fair value of net assets acquired and an estimated reduction in joint venture income related to the anticipated sale of a portion of the combined company's interest in each of Credit-Based Asset Servicing and Securitization LLC ( "C-Bass" ) and Sherman Financial Group LLC ( "Sherman" ).

	<b>Increase (Decrease)</b>
Losses and expenses:	
Underwriting and other expenses:	
(t) Adjustment to amortization expense for the fair value of deferred policy acquisition costs	(112)
(u) Adjustment to amortization expense for the estimated value of identifiable intangible assets with finite lives	57
Interest expense:	
(v) Adjustment to interest expense for the amortization of fair value adjustments to debt	(2)
Total losses and expenses adjustment	(57)
Income before tax and joint ventures adjustment	57
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(w) Provision for income tax adjustment at 35%	20
Income from joint ventures, net of tax adjustment	
(x) Reduction in income due to the sale of interest in joint ventures	(132)
(y) Amortization of fair value adjustments	(12)
Total income from joint ventures, net of tax adjustment	(144)
Reduction in Net Income	\$ (107)

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**MGIC INVESTMENT CORPORATION AND RADIAN GROUP INC.**

**Notes to the Unaudited Pro Forma Condensed Combined Financial Statements (Continued)**

(b)(d)(e)(j)(x)(y) The unaudited pro forma adjustments include the sale of interest in joint ventures to reduce ownership below 50%. As of December 31, 2006, MGIC and Radian each have a 46.1% investment in C-BASS and a 40.96% investment in the Class A Common Units and a 50% investment in the Preferred Units of Sherman. In connection with the closing of the merger, the combined company intends to sell a portion of the acquired interest, including all of Radian's preferred interest, and MGIC's preferred interest, to reduce ownership in each of C-BASS and Sherman to 49.9%. As a result of this anticipated sale, the investment in each joint venture will continue to be accounted for using the equity method of accounting, whereas retaining a combined interest above 50% may require the combined company to consolidate the financial statements of these joint ventures. Consolidation may adversely impact the financial rating of the combined company or certain of its subsidiaries. Footnote 8 of MGIC's Consolidated Financial Statements included in MGIC's Annual Report on Form 10-K for the year ended December 31, 2006 summarizes financial information for each of C-BASS and Sherman. The fair value adjustment for the joint venture interests acquired from Radian was estimated assuming an approximate fair value of C-BASS at a multiple of book value and an approximate fair value of Sherman at a multiple of projected tax effected net income. The fair value adjustment, excluding any amounts identified as goodwill, related to the interests acquired from Radian and retained by the combined company is assumed to be amortized over the estimated useful life. A portion of the deferred tax liability related to the fair value adjustment will become a current liability upon sale of the interests.

(g)(u) The estimated values of the intangible assets identified as the mortgage insurance in force book and the financial guaranty insured portfolio were each based on the sum of estimated discounted cash flows of future estimated run-off premiums written, offset by estimated run-off paid losses and run-off expenses. The sums of the estimated discounted cash flows were further offset by an estimated discounted capital charge. The intangibles are assumed to be amortized over their useful life on an accelerated basis. The estimated amortization expense for the five years following the acquisition is \$49 million, \$41 million, \$32 million, \$24 million and \$16 million, respectively.

(k)(m)(q) The unaudited pro forma balance sheet adjustments reflect the addition of an estimated 77 million outstanding shares of MGIC common stock, 42 million of which we anticipate will be newly issued shares, and 35 million of which we anticipate will be issued from treasury shares.

The unaudited pro forma adjustments do not include anticipated restructuring costs in conjunction with the merger. The preliminary estimate related to restructuring is approximately \$125 million to \$150 million, after-tax, and is subject to final decisions by management. These costs may include severance payments and other costs associated with the process of combining the companies.

Certain other assets and liabilities of Radian will be subject to adjustment to their respective fair values at the time of the merger. Pending further analysis, no unaudited pro forma adjustments are included herein for these assets and liabilities.

**Note 5 Unaudited Earnings per Share**

The pro forma earnings per common share data has been computed based on the combined historical income of MGIC and Radian and the impact of purchase accounting adjustments. Weighted average shares were calculated using MGIC's historical weighted average common shares outstanding and Radian's weighted average shares outstanding multiplied by the exchange ratio.





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**COMPARISON OF STOCKHOLDERS RIGHTS**

**General**

MGIC is incorporated under Wisconsin law and Radian is incorporated under Delaware law. Differences in the rights of holders of MGIC common stock and Radian common stock arise from both differences in Wisconsin law and Delaware law and differences in the articles of incorporation and amended and restated bylaws of MGIC and the amended and restated certificate of incorporation and amended and restated bylaws of Radian. Upon completion of the merger, the articles of incorporation and amended and restated bylaws of MGIC in effect immediately prior to the effective time of the merger will be the charter documents of the combined company, except as such bylaws will be amended in accordance with the merger agreement. See The Merger Agreement Bylaw Amendments. Consequently, after the effective time of the merger, the rights of former Radian stockholders will be determined by reference to the MGIC articles of incorporation and amended and restated bylaws. The material differences between the rights of holders of MGIC common stock and Radian common stock resulting from the differences in their governing corporate instruments are summarized below. This summary contains a list of the material differences but is not meant to be relied upon as an exhaustive list or a detailed description of the provisions discussed and is qualified in its entirety by reference to the Wisconsin Business Corporation Law, the Delaware General Corporation Law and the governing instruments of MGIC and Radian, to which you are referred. The governing instruments are subject to amendment in accordance with their terms. Copies of the governing corporate instruments are available, without charge, to any person, including any beneficial owner to whom this document is delivered, by following the instructions listed under Where You Can Find More Information.

**Authorized Capital**

***MGIC***

MGIC's articles of incorporation authorize 300 million shares of MGIC common stock, par value \$1.00 per share, and 10 million shares of preferred stock, par value \$1.00 per share. As of March 9, 2007, 83,067,137 shares of MGIC common stock were issued and outstanding, and no shares of MGIC preferred stock were issued and outstanding.

***Radian***

The authorized capital stock of Radian consists of 200 million shares of common stock, par value \$0.001 per share, and 20 million shares of preferred stock, par value \$0.001 per share. As of March 19, 2007, 80,260,253 shares of Radian common stock were issued and outstanding, and no shares of Radian preferred stock were issued and outstanding.

**Number of Directors**

***MGIC***

MGIC's amended and restated bylaws provide that the number of MGIC directors may be fixed by the board of directors, provided that the number of directors is not less than seven nor more than 17 directors. After the completion of the merger, the amended and restated bylaws of MGIC will provide that the board of directors will initially consist of six current directors of MGIC designated by MGIC and five current directors of Radian designated by Radian. Promptly upon completion of the merger (and in no event later than ten business days after the merger), the combined company will convene a special meeting of the combined company's stockholders to vote on the election of an

additional Radian director. The former MGIC directors and former Radian directors will be divided into three equal classes of the combined company's board of directors.

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***Radian***

Radian's amended and restated bylaws and amended and restated certificate of incorporation provide that the number of directors may be fixed by the board of directors, provided that the number of directors is not less than nine or more than 14, as may be determined only by resolution adopted by a majority of the directors present at a meeting at which a quorum is present.

**Vacancies**

***MGIC***

MGIC's amended and restated bylaws provide that vacancies on MGIC's board of directors may be filled only by the affirmative vote of a majority of the directors then in office, though less than a quorum, or by a sole remaining director. After the completion of the merger and until the later of Sanford A. Ibrahim's succession to the position of Chairman of the Board or Chief Executive Officer of MGIC, the amended and restated bylaws of MGIC will provide that all vacancies on the board of directors of the combined company created by the cessation of service of a director who was a director of MGIC prior to the completion of the merger will be filled by a nominee proposed by a majority of the remaining directors who were either directors of MGIC prior to completion of the merger or selected by such directors after completion of the merger, and all vacancies on the board of directors of the combined company created by the cessation of service of a former Radian director will be filled by a nominee proposed by a majority of the remaining directors who were either directors of Radian prior to the completion of the merger or selected by such directors after completion of the merger.

***Radian***

Radian's amended and restated certificate of incorporation and amended and restated bylaws provide that vacancies on Radian's board of directors may be filled by an affirmative vote by a majority of directors then in office present at a meeting at which a quorum is present. If, at the time of filling any vacancy, the directors then in office will constitute less than a majority of the entire board of directors (as constituted immediately prior to such vacancy), the Delaware Court of Chancery may, upon application of any stockholder or stockholders holding at least 10% of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancy, or to replace the directors chosen by the directors then in office.

**Special Meetings of the Board**

***MGIC***

Special meetings of MGIC's board of directors may be called for any purpose or purposes, at any time, by MGIC's Chairman of the Board of Directors, President, Secretary or any two directors.

***Radian***

Special meetings of Radian's board of directors may be called for any purpose or purposes, at any time, by Radian's Chairman of the Board or any three or more directors.

**Business Combination Statute**

***MGIC***

The Wisconsin Business Corporation Law restricts a resident domestic corporation from engaging in a business combination with or involving an interested stockholder or an affiliate or associate of an interested stockholder. For purposes of this statute, a business combination includes:

a merger or statutory share exchange;

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a sale or other disposition of assets having a market value equal to at least 5% of the market value of the assets or outstanding stock of the corporation or representing at least 10% of its earning power or income;

the issuance or transfer of stock or rights to purchase stock with a market value equal to at least 5% of the outstanding stock;

the adoption of a plan or proposal for liquidation or dissolution;

receipt by the interested stockholder or the interested stockholder's affiliates or associates of a disproportionate direct or indirect benefit of a loan or other financial benefit provided by or through the resident domestic corporation or its subsidiaries; or

certain other transactions that have the direct or indirect effect of materially increasing the proportionate share of voting stock beneficially owned by the interested stockholder or the interested stockholder's affiliates or associates.

An interested stockholder is a person who beneficially owns, directly or indirectly, 10% of the voting power of the outstanding voting stock of the resident domestic corporation, or who is an affiliate or associate of the corporation and beneficially owned 10% of the voting power of its voting stock within the last three years. A resident domestic corporation means a public Wisconsin corporation that, as of the stock acquisition date in question, has:

its principal offices located in Wisconsin;

significant business operations located in Wisconsin;

more than 10% of the holders of record of its stock who are residents of Wisconsin; or

more than 10% of its shares held of record by residents of Wisconsin.

During the initial three-year period after a person becomes an interested stockholder, with some exceptions, the Wisconsin Business Corporation Law prohibits a business combination with the interested stockholder unless the corporation's board of directors approved the business combination or the acquisition of the stock prior to the acquisition date. Following this period, the Wisconsin Business Corporation Law permits a business combination with an interested stockholder only if:

the board of directors approved the acquisition of the stock prior to the acquisition date;

the business combination is approved by a majority of the outstanding voting shares not owned by the interested stockholder;

the consideration to be received by stockholders meets statutory fair price and form requirements; or

the business combination is of a type specifically excluded from the coverage of the statute.

***Radian***

Section 203 of the Delaware General Corporation Law prohibits a Delaware corporation from engaging in a business combination with a person owning 15% or more of the corporation's voting stock for three years following the time

that person becomes a 15% stockholder, with certain exceptions.

**Fair Price Statute**

***MGIC***

Under the Wisconsin Business Corporation Law, in addition to any vote otherwise required by law or the articles of incorporation of the resident domestic corporation, certain mergers or share exchanges between resident domestic corporations and significant stockholders, and sales of all or substantially all of the assets of resident domestic corporations to significant stockholders, must be approved by 80% of the votes entitled to be cast by all outstanding voting shares of the corporation and two-thirds of the votes entitled to be cast by

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stockholders other than the significant stockholder or its affiliates or associates, unless the stockholders receive a statutory fair price.

A significant stockholder is a beneficial owner, directly or indirectly, of 10% or more of the voting power of the outstanding voting shares of the resident domestic corporation, or an affiliate of the corporation that beneficially owned 10% or more of the voting power of the outstanding shares within the last two years.

### ***Radian***

The Delaware General Corporation Law does not contain a similar provision.

## **Control Share Acquisition Statute**

### ***MGIC***

The Wisconsin Business Corporation Law provides that, unless otherwise provided in its articles of incorporation, and subject to a number of exceptions for shares acquired in particular circumstances, the voting power of shares of a resident domestic corporation held by any person in excess of 20% of the voting power is limited to 10% of the voting power the excess shares would otherwise have. Full voting power may be restored if a majority of the voting power of shares represented at a meeting, including those held by the party seeking restoration, are voted in favor of restoration.

### ***Radian***

The Delaware General Corporation Law does not contain a similar provision.

## **Greenmail Transactions**

### ***MGIC***

The Wisconsin Business Corporation Law requires stockholder approval for some transactions in the context of a tender offer or similar action for more than 5% of any class of a resident domestic corporation's stock. Stockholder approval is required for the acquisition of more than 5% of the corporation's voting shares at a price above market value from any person who holds more than 3% of the voting shares and has held the shares for less than two years, unless the corporation makes an equal offer to acquire all voting shares. Stockholder approval is also required for the sale or option of assets that amount to at least 10% of the market value of the corporation, but this requirement does not apply if the corporation has at least three directors who are not officers or employees of the corporation and a majority of those disinterested directors choose to opt out of this provision.

### ***Radian***

The Delaware General Corporation Law does not contain a similar provision.

## **Stockholder Rights Plans**

### ***MGIC***

On July 22, 1999, MGIC adopted a stockholder rights agreement that declared a dividend of one common share purchase right for each share of MGIC common stock outstanding. Under terms of the rights agreement, as amended, each outstanding share of MGIC common stock is accompanied by one right. The distribution date occurs ten days

after an announcement that a person has become the beneficial owner of the designated percentage of MGIC common stock. The date on which such an acquisition occurs is the shares acquisition date and a person who makes such an acquisition is an acquiring person, or ten business days after a person announces or begins a tender offer, the completion of which would result in ownership by a person or group of 15% or more of the outstanding shares of MGIC common stock. The designated percentage is 15% or more, 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 are not exercisable until the



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distribution date. Each right will initially entitle stockholders to buy one-half of one share of MGIC common stock at a purchase price of \$225 per full share (equivalent to \$112.50 for each one-half share), subject to adjustment. If there is an acquiring person, then each right, subject to certain limitations, will entitle its holder to purchase, at the rights then-current purchase price, a number of shares of MGIC common stock (or if after the shares acquisition date, MGIC is acquired in a business combination, common shares of the acquiror) having a market value at the time equal to twice the then-current purchase price of the Rights. The rights will expire on July 22, 2009, subject to extension. The rights are redeemable at a price of \$0.001 per right at any time prior to the time a person becomes an acquiring person. Other than certain amendments, the board of directors may amend the rights in any respect without the consent of the holders of the rights.

### ***Radian***

Radian does not have a stockholders' rights plan.

## **Classified Board of Directors and Cumulative Voting**

### ***MGIC***

MGIC's articles of incorporation and amended and restated bylaws provide that the MGIC board of directors is divided into three classes, with each class to be as nearly equal in number as possible. The directors in each class serve three-year terms of office.

Stockholders are entitled to one vote for each share of MGIC's common stock, and directors are elected by a plurality of the votes cast by the shares entitled to vote in the election of directors under MGIC's amended and restated bylaws. However, under MGIC's amended and restated bylaws, any director elected by less than a Majority Vote in an election in which the number of candidates does not exceed the number of directors to be elected is required to send the MGIC board a resignation. The effectiveness of any such resignation will be contingent upon board acceptance. The MGIC board will accept or reject any such resignation in its discretion after receiving a recommendation made by its management development, nominating and governance committee. Majority Vote means that when there is a quorum present, more than 50% of the votes cast in the election of such director were for the election of such director, with votes cast being equal to the total of the votes for the election of such director plus the votes withheld from the election of such director.

MGIC stockholders are not entitled to cumulative voting rights in the election of directors.

### ***Radian***

Radian's amended and restated certificate of incorporation and amended and restated bylaws provide for an unclassified board of directors, with each director serving a one-year term of office.

Stockholders are entitled to one vote for each share of Radian's common stock, and directors are elected by a plurality of the vote cast by all stockholders under Radian's amended and restated bylaws. Stockholders are not entitled to cumulative voting rights in the election of directors.

## **Removal of Directors**

### ***MGIC***

MGIC's articles of incorporation provide that any director or the entire MGIC board of directors may be removed with or without cause in accordance with the Wisconsin Business Corporation Law, which provides that stockholders may remove a director only at a meeting called for such purpose, and only if the number of votes cast to remove the director exceeds the number of votes cast not to remove the director.

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### ***Radian***

Radian's amended and restated certificate of incorporation provides that a director may only be removed with cause, by an affirmative vote of the holders of a majority of the voting power of all shares of Radian's capital stock entitled to vote generally for the election of directors.

### **Special Meetings of Stockholders**

#### ***MGIC***

MGIC's amended and restated bylaws provide that special meetings of MGIC stockholders may be called at any time, but only by the MGIC board of directors, Chairman of the Board or President. The MGIC Chairman of the Board or President will call a special meeting upon the demand of the holders of record of shares representing at least 10% of all the votes entitled to be cast on any issue proposed to be considered at a special meeting.

#### ***Radian***

Radian's amended and restated bylaws provide that special meetings of Radian stockholders may be called at any time, by the Radian Chairman of the Board, a majority of the Radian board of directors or the holders of a majority of the total number of shares of Radian common stock then outstanding.

### **Actions by Stockholders without a Meeting**

#### ***MGIC***

Under the Wisconsin Business Corporation Law, any action which may be taken by the stockholders at a meeting may be taken without a meeting only by unanimous written consent of all stockholders entitled to vote on the action, unless the articles of incorporation permit approval by the consent of the stockholders who would be entitled to cast not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting at which all shares entitled to vote were present and voted. MGIC's articles of incorporation do not contain a provision permitting less than unanimous written consent to take action without a meeting.

#### ***Radian***

Radian's amended and restated certificate of incorporation and amended and restated bylaws do not specifically provide for action taken by stockholder written consent. Under the Delaware General Corporation Law, any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a written consent is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

### **Amendment of Certificate of Incorporation and Bylaws**

#### ***MGIC***

The Wisconsin Business Corporation Law permits the board of directors of a corporation to adopt some types of routine and non-controversial amendments to the articles of incorporation without approval by the stockholders, but the general procedure for amending the articles of incorporation requires the board to propose the amendment and the

stockholders to approve it. Unless the Wisconsin Business Corporation Law, the articles of incorporation, bylaws adopted under authority granted in the articles of incorporation or the board of directors, in conditioning its submission, requires a greater vote or a vote by voting groups, an amendment is adopted if approved as follows:

If a voting group would have dissenters' rights with respect to the amendment, then a majority of the votes entitled to be cast by that voting group is required for adoption of the amendment.

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Otherwise, if a quorum exists, the amendment will be adopted if the votes cast within the voting group favoring the action exceed the votes cast opposing the action.

Under the Wisconsin Business Corporation Law, the board of directors and the stockholders each have the power to adopt, amend or repeal the bylaws. After the completion of the merger, the affirmative vote of not less than 75% of the full MGIC board of directors will be required to amend the provisions of MGIC's amended and restated bylaws described above in Merger Proposal to be Considered at the Annual Meetings of MGIC and Radian Board of Directors and Management of the Combined Company Following the Merger. Any action taken by the stockholders with respect to adopting, amending or repealing MGIC's amended and restated bylaws may be taken by the stockholders at any annual meeting or special meeting at which a quorum is in attendance.

***Radian***

Generally, the approval of the Radian board of directors and the affirmative vote of a majority of all shares entitled to vote is required to amend Radian's amended and restated certificate of incorporation.

Radian's board of directors may adopt, amend or repeal Radian's amended and restated bylaws by a two-thirds vote of the entire Radian board of directors. Stockholders may adopt, amend or repeal the Radian amended and restated bylaws by the affirmative vote at an annual or special meeting of the stockholders of the majority of shares entitled to vote.

**LEGAL MATTERS**

The validity of MGIC common stock offered by this document will be passed upon for MGIC by Foley & Lardner LLP. Certain U.S. federal income tax consequences relating to the merger will be passed upon for MGIC by Foley & Lardner LLP and for Radian by Wachtell, Lipton, Rosen & Katz.

MGIC has used the law firm of Foley & Lardner LLP as its principal outside legal counsel for more than 20 years. The wife of MGIC's General Counsel is a partner in that law firm, which was paid \$592,657 by MGIC and its consolidated subsidiaries for legal services in 2006.

**EXPERTS**

The financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this prospectus by reference to MGIC's Annual Report on Form 10-K for the year ended December 31, 2006 have been so incorporated in reliance on the reports of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

PricewaterhouseCoopers LLP has neither examined nor compiled the prospective financial information included as exhibit 99.2 in Radian's 8-K dated February 6, 2007, as amended, and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto and disclaims any responsibility with respect to such prospective financial information. The PricewaterhouseCoopers LLP report included in this offering document related to MGIC's historical financial information. It does not extend to the prospective financial information and should not be read to do so.

The financial statements of Radian Group Inc. and subsidiaries, except for Sherman Financial Group LLC (an equity method investee), the related financial statement schedules, and management's report on the effectiveness of internal

control over financial reporting incorporated in this prospectus by reference from Radian Group Inc. s Annual Report on Form 10-K for the year ended December 31, 2006 have been audited by Deloitte & Touche LLP as stated in their reports (which reports (1) express an unqualified opinion, based on their audit and (as to the amounts included for Sherman) the report of other auditors, on the financial statements and financial statement schedules and include an explanatory paragraph relating to the adoption of Statement of Financial Accounting Standards No. 123(R), *Share-based Payment* in 2006, (2) express an

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unqualified opinion on management's assessment regarding the effectiveness of internal control over financial reporting, and (3) express an unqualified opinion on the effectiveness of internal control over financial reporting), which are incorporated herein by reference. The financial statements of Sherman (not presented separately) have been audited by Grant Thornton LLP, as stated in their report incorporated by reference herein. Such financial statements of Radian Group Inc. and its subsidiaries are included herein in reliance upon the respective reports of such firms given upon their authority as experts in accounting and auditing. Deloitte & Touche LLP and Grant Thornton LLP are independent registered public accounting firms.

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**SUBMISSION OF FUTURE STOCKHOLDER PROPOSALS**

Stockholders may submit proposals on matters appropriate for stockholder action at future annual meetings by following the rules of the Securities and Exchange Commission. For a proposal to be included in next year's MGIC proxy materials, the Corporate Secretary of MGIC must receive the proposal no later than December 7, 2007. For a proposal to be included in next year's Radian proxy materials, the Secretary of Radian must receive the proposal no later than December 7, 2007.

Under MGIC's amended and restated bylaws, a stockholder who wants to bring business before the annual meeting that has not been included in the proxy materials for the meeting, or who wants to nominate directors at the meeting, must be eligible to vote at the meeting and give written notice of the proposal to MGIC's Corporate Secretary. The procedures contained in MGIC's amended and restated bylaws include giving notice to the MGIC corporate secretary at least 45 and not more than 70 days before the first anniversary of the date set forth in MGIC's proxy statement for the prior annual meeting as the date on which MGIC first mailed such proxy materials to shareholders. For the 2008 annual meeting, the notice must be received by the MGIC Corporate Secretary by no later than February 24, 2008, and no earlier than January 30, 2008. For director nominations, the notice must comply with the MGIC amended and restated bylaws and provide the information required to be included in the proxy statement for individuals nominated by the board. For any other proposals, the notice must describe the proposal and why it should be approved, identify any material interest of the stockholder in the matter, and include other information required by the MGIC amended and restated bylaws.

Under Radian's bylaws, a stockholder who desires to submit a proposal for consideration at the 2008 annual meeting, but not have the proposal included with the proxy solicitation materials relating to the 2008 annual meeting, or who wants to nominate directors for election to Radian's board of directors, must submit written notice to Radian's Secretary. The written notice must be received by Radian's Secretary at least 60 days before the 2008 annual meeting (except that if Radian gives less than 75 days' notice or other public disclosure of the 2008 annual meeting, then the proposal must be received by Radian's Secretary no later than the close of business on the 15th day after the day on which Radian mails the notice of the 2008 annual meeting or makes such public disclosure). For director nominations, the notice must contain: the name, age, principal occupation, and business and residence address of each person nominated; the class and number of shares of Radian capital stock beneficially owned by each person nominated; any other information about each person nominated that would be required under relevant SEC rules to be in a proxy statement for a meeting involving the election of directors; the name and record address of the stockholder making the nomination; and the class and number of shares of Radian capital stock owned by the stockholder making the nomination. The full text of the relevant bylaw provisions may be obtained upon written request directed to Radian's Secretary and a copy of Radian's bylaws is available on the corporate governance section of Radian's website, [www.radian.biz](http://www.radian.biz).

**WHERE YOU CAN FIND MORE INFORMATION**

MGIC and Radian file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy this information at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website that contains reports, proxy statements and other information about issuers, like MGIC and Radian, who file electronically with the SEC. The address of the site is <http://www.sec.gov>. The reports and other information filed by MGIC with the SEC are also available at MGIC's website. The address of the site is <http://www.mgic.com>. The reports and other information filed by Radian with the SEC are also available at Radian's website. The address of the site is <http://www.radian.biz>. Information contained on



the MGIC and Radian websites is expressly not incorporated by reference into this joint proxy statement/prospectus.

The SEC allows MGIC and Radian to incorporate by reference information into this joint proxy statement/prospectus. This means that MGIC and Radian can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference in this joint proxy statement/prospectus is considered to be a part of this joint proxy statement/prospectus, except for any information that is superseded by information that is included directly in this joint proxy statement/prospectus.

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This joint proxy statement/prospectus incorporates by reference the documents listed below that MGIC and Radian previously filed with the SEC. They contain important information about the companies and their financial condition.

**MGIC SEC Filings (SEC File Number 1-10816)**

Annual Report on Form 10-K for the year ended December 31, 2006;

Current Reports on Form 8-K filed with the SEC on February 6, 2007 and February 12, 2007; and

The description of MGIC common stock contained in the Registration Statement on Form-8-A12B, filed with the SEC on July 27, 1999, the Registration Statement on Form-8-A12B/A (Amendment No. 1), filed with the SEC on October 29, 2002, the Registration Statement on Form 8-A12B/A (Amendment No. 2), filed with the SEC on May 14, 2004, and including any other amendments or reports filed for the purpose of updating that description.

**Radian SEC Filings (SEC File Number 1-11356)**

Annual Report on Form 10-K for the year ended December 31, 2006;

Current Reports on Form 8-K filed with the SEC on January 10, 2007, February 6, 2007, as amended on March 16, 2007 (Exhibit 99.1 only), February 9, 2007 (Item 5.02 only), February 12, 2007 and February 22, 2007; and

The description of Radian common stock set forth in the Registration Statement on Form 8-A12B/A (Amendment No. 1), filed with the SEC on August 12, 2004, including any amendment or report filed with the SEC for the purpose of updating the description.

In addition, MGIC and Radian also incorporate by reference in this joint proxy statement/prospectus additional documents that either company may file with the SEC between the date of this joint proxy statement/prospectus and the date of the MGIC annual meeting or Radian annual meeting. These documents include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

Documents incorporated by reference are available from MGIC and Radian without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference as an exhibit in this joint proxy statement/prospectus. You can obtain documents incorporated by reference in this joint proxy statement/prospectus by requesting them in writing or by telephone from the appropriate company at the following addresses:

**MGIC Investment Corporation**

Mike Zimmerman  
Investor Relations  
250 East Kilbourn Avenue  
Milwaukee, Wisconsin 53202  
Phone: (414) 347-6480

**Radian Group Inc.**

Mona Zeehandelaar  
Investor Relations  
1601 Market Street  
Philadelphia, Pennsylvania 19103  
Phone: (215) 231-1000

This joint proxy statement/prospectus contains a description of the representations and warranties that each of MGIC and Radian made to the other in the merger agreement. Representations and warranties made by MGIC, Radian and other applicable parties are also set forth in contracts and other documents (including the merger agreement) that are attached or filed as exhibits to this joint proxy statement/prospectus or are incorporated by reference into this joint proxy statement/prospectus. These representations and warranties were made as of specific dates, may be subject to important qualifications and limitations agreed to between the parties in connection with negotiating the terms of the agreement, and may have been included in the agreement for the purpose of allocating risk between the parties rather than to establish matters as facts. These materials are included or incorporated by reference only to provide you with information regarding the terms of the agreements. Accordingly, the representations and warranties and other provisions of the agreements (including the merger agreement) should not be read alone, but instead should be read only in conjunction with the other information provided elsewhere in this joint proxy statement/prospectus or incorporated by reference into this joint proxy statement/prospectus, including the periodic and current reports and statements that MGIC and Radian file with the SEC.

Table of Contents**[MGIC ALTERNATE PAGE]****OTHER MATTERS TO BE CONSIDERED AT THE MGIC ANNUAL MEETING**

A number of proposals requiring stockholder action in the ordinary course of MGIC's business are also being presented for consideration and voting. This portion of the document discusses these proposals.

**PROPOSAL****ELECTION OF THREE DIRECTORS**

The MGIC board of directors is divided into three classes, with directors in each class serving for a term of three years. One class of directors is elected at each annual meeting of MGIC. The MGIC board, upon the recommendation of its management development, nominating and governance committee, has nominated three directors for re-election to the board to serve until MGIC's 2010 annual stockholders meeting. If any nominee is not available for election, proxies will be voted for another person nominated by the MGIC board or the size of the MGIC board will be reduced. The composition of the board of directors will change upon completion of the proposed merger with Radian, as described more completely under "The Merger" Board of Directors and Management of the Combined Company following the Merger.

Under the MGIC amended and restated bylaws, written notice of nominations for director by MGIC stockholders was required to be provided to the MGIC corporate Secretary by February 13, 2007. Because no notice was received by the deadline, MGIC stockholders may not make any nominations for election to the board at the MGIC annual meeting.

Information about the directors of MGIC, three of whom are nominees for election at the annual meeting, appears below. The biographical information is as of February 1, 2007.

**NOMINEES FOR DIRECTOR**  
**Term Ending 2010**

**Shares**  
**Beneficially**  
**Owned<sup>(1)</sup>**

**James A. Abbott**, 67, a Director of MGIC since 1989, has been Chairman and a principal of American Security Mortgage Corp., a mortgage banking firm, since June 1999. He served as President and Chief Executive Officer of First Union Mortgage Corporation, a mortgage banking company, from January 1980 to December 1994.

20,398<sup>(2)(3)</sup>

**Thomas M. Hagerty**, 44, a Director of MGIC since 2001, has been a managing director with Thomas H. Lee Partners, L.P. and its predecessor Thomas H. Lee Company, a private investment firm ( "THL" ), since 1992 and has been with the firm since 1988. Mr. Hagerty previously was in the Mergers and Acquisitions Department of Morgan Stanley & Co. Incorporated. He is also a director of Fidelity National Financial, Inc. and Fidelity National Information Services, Inc. In an attempt to preserve the value of

17,388<sup>(3)</sup>

an investment in Consec, Inc. by an affiliate of THL,  
Mr. Hagerty served as the interim chief financial officer of  
Consec from July 2000 until April 2001. In December 2002,  
Consec filed a petition under the federal bankruptcy code.

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<b>NOMINEES FOR DIRECTOR Term Ending 2010</b>	<b>Shares Beneficially Owned<sup>(1)</sup></b>
<p><b>Michael E. Lehman</b>, 56, a Director of MGIC since 2001, has been Executive Vice President and Chief Financial Officer of Sun Microsystems, Inc., a provider of computer systems and professional support services, since February 2006. From July 2000 to September 2002, when he retired from full time employment, he was Executive Vice President of Sun Microsystems, he was its Chief Financial Officer from February 1994 to July 2002, and held senior executive positions with Sun Microsystems for more than five years before then.</p>	8,297 <sup>(3)</sup>
<b>DIRECTORS CONTINUING IN OFFICE</b>	
<b>Term Ending 2008</b>	
<p><b>David S. Engelman</b>, 69, a Director of MGIC since 1993, has been a private investor for more than five years. He was President and Chief Executive Officer, on an interim basis, of Fleetwood Enterprises, Inc., a manufacturer of recreational vehicles and manufactured housing, from February to August 2002. He is also a director of Fleetwood Enterprises, Inc. and Fieldstone Investment Corporation.</p>	11,710 <sup>(2)(3)(4)</sup>
<p><b>Kenneth M. Jastrow, II</b>, 59, a Director of MGIC since 1994, has been Chairman and Chief Executive Officer of Temple-Inland Inc., a holding company with interests in paper, forest products, financial services and real estate, since January 2000. He served as President and Chief Operating Officer of Temple-Inland from 1998 to 2000 and held senior executive positions with that company and its subsidiaries for more than five years before then. He is also a director of Temple-Inland and KB Home.</p>	26,332 <sup>(2)(3)</sup>
<p><b>Daniel P. Kearney</b>, 67, a Director of MGIC since 1999, is a business consultant and private investor. Mr. Kearney served as Executive Vice President and Chief Investment Officer of Aetna, Inc., a provider of health and retirement benefit plans and financial services, from 1991 to 1998. He was President and Chief Executive Officer of the Resolution Trust Corporation Oversight Board from 1990 to 1991, a principal of Aldrich, Eastman &amp; Waltch, Inc., a pension fund advisor, from 1988 to 1989, and a managing director at Salomon Brothers Inc, an investment banking firm, from 1977 to 1988. He is also a</p>	22,075 <sup>(3)</sup>



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<b>DIRECTORS CONTINUING IN OFFICE</b>	<b>Shares</b>
<b>Term Ending 2008</b>	<b>Beneficially</b>
	<b>Owned<sup>(1)</sup></b>
<p><b>Donald T. Nicolaisen</b>, 62, a Director of MGIC since 2006, was the Chief Accountant of the United States Securities and Exchange Commission from September 2003 to November 2005, when he retired from full time employment. Prior to joining the SEC, he was a Senior Partner at PricewaterhouseCoopers LLP, an accounting firm that he joined in 1967. He is also a director of Verizon Communications Inc., Morgan Stanley and Zurich Financial Services Group.</p>	850 <sup>(3)</sup>
<b>DIRECTORS CONTINUING IN OFFICE</b>	
<b>Term Ending 2009</b>	
<p><b>Karl E. Case</b>, 60, a Director of MGIC since 1991, is the Katharine Coman and A. Barton Hepburn Professor of Economics at Wellesley College where he has taught since 1976. Dr. Case has been Visiting Scholar at the Federal Reserve Bank of Boston since 1985. He is also a director of Century Bancorp, Inc.</p>	13,579 <sup>(2)(3)</sup>
<p><b>Curt S. Culver</b>, 54, a Director of MGIC since 1999, has been Chairman of the Board of MGIC since January 2005 and its Chief Executive Officer since January 2000. He served as MGIC's President from January 1999 to January 2006. Mr. Culver has been Chief Executive Officer of Mortgage Guaranty Insurance Corporation since January 1999, President of MGIC since May 1996, and held senior executive positions with Mortgage Guaranty Insurance Corporation for more than five years before then. He is also a director of Wisconsin Electric Power Company and Wisconsin Energy Corporation.</p>	815,399 <sup>(5)</sup>
<p><b>William A. McIntosh</b>, 67, a Director of MGIC since 1996, was an executive committee member and a managing director at Salomon Brothers Inc., an investment banking firm, when he retired in 1995 after 35 years of service. He is also a director of Northwestern Mutual Series Fund Inc.</p>	22,611 <sup>(2)(3)</sup>



Table of Contents**[MGIC ALTERNATE PAGE]**

<b>DIRECTORS CONTINUING IN OFFICE Term Ending 2009</b>	<b>Shares Beneficially Owned<sup>(1)</sup></b>
<p><b>Leslie M. Muma</b>, 62, a Director of MGIC since 1995, is retired and was Chief Executive Officer of Fiserv, Inc., a financial industry automation products and services firm from 1999 until December 2005. Before serving as Fiserv's Chief Executive Officer, he was its President for many years.</p>	32,165 <sup>(2)(3)(6)</sup>
<p>(1) Ownership information is for shares of MGIC common stock as of February 15, 2007. Unless otherwise noted, all directors have sole voting and investment power with respect to the shares. MGIC common stock beneficially owned by each director represents less than 1% of the total number of shares outstanding.</p>	
<p>(2) Includes 2,000 shares held under the MGIC 1993 Restricted Stock Plan for Non-Employee Directors. The directors have sole voting power and no investment power over these shares.</p>	
<p>(3) Includes shares underlying restricted stock units as follows: Mr. Abbott 2,200; Dr. Case 2,200; Mr. Engelman 2,200; Mr. Hagerty 4,568; Mr. Jastrow 5,255; Mr. Kearney 5,847; Mr. Lehman 2,200; Mr. McIntosh 2,200; Mr. Muma 4,807; and Mr. Nicolaisen 850. Such units were issued pursuant to the MGIC restricted stock unit award program (See Compensation of Directors of MGIC Restricted Stock Unit Award Program), except for the following awards, which are held under the Deposit Share Program for Non-Employee Directors (See Compensation of Directors of MGIC Deposit Share Program): Mr. Hagerty 2,368; Mr. Jastrow 3,055; Mr. Kearney 3,647; and Mr. Muma 2,607. Directors have neither voting nor investment power over the shares underlying any of these units.</p> <p>Also includes shares held under the Deposit Share Program for Non-Employee Directors as follows: Mr. Abbott 3,454; Dr. Case 2,819; Mr. Engelman 4,504; Mr. Hagerty 1,246; Mr. Jastrow 6,733; Mr. Kearney 1,518; Mr. Lehman 453; Mr. McIntosh 4,504; and Mr. Muma 1,155. Directors have sole voting power and no investment power over these shares.</p> <p>Also includes share units held under the MGIC Deferred Compensation Plan (See Compensation of Executive Officers and Directors of MGIC Compensation of Directors) over which the directors have neither voting nor investment power, as follows: Dr. Case 6,520; Mr. Hagerty 4,639; Mr. Jastrow 11,198; Mr. Kearney 7,484; Mr. Lehman 1,348; and Mr. Muma 9,468.</p>	
<p>(4) Includes 1,569 shares owned by a trust of which Mr. Engelman is a trustee and a beneficiary and as to which Mr. Engelman disclaims beneficial ownership except to the extent of his interest in the trust. Voting and investment power are shared for all shares owned by the trust.</p>	
<p>(5) Includes 461,800 shares which Mr. Culver had the vested right to acquire as of February 15, 2007, or which become vested within sixty days thereafter under options granted to Mr. Culver; 12,673 shares held in the MGIC Profit Sharing and Savings Plan and Trust; 156,940 restricted shares awarded under the MGIC 2002 Stock Incentive Plan, over which Mr. Culver has sole voting power but no investment power; and 56,000 shares underlying restricted stock units awarded under the MGIC 2002 Stock Incentive Plan over which he has neither</p>	

voting nor investment power.

- (6) Includes 9,132 shares owned by a trust of which Mr. Muma is a trustee and a beneficiary and as to which Mr. Muma disclaims beneficial ownership except to the extent of his interest in the trust.

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**[MGIC ALTERNATE PAGE]**

***Stockholder Vote Required***

Each nominee who receives a plurality of the votes cast at the meeting will be elected as a director. Only votes cast for a nominee will be counted. Votes cast include votes under proxies which are signed and do not have contrary voting instructions. Broker non-votes, abstentions and instructions on the proxy card to withhold authority to vote for one or more of the nominees will be disregarded in the calculation of a plurality of the votes cast. However, under MGIC's amended and restated bylaws, any director elected by less than a Majority Vote in an election in which the number of candidates does not exceed the number of directors to be elected is required to send the board a resignation. The effectiveness of any such resignation will be contingent upon board acceptance. The MGIC board will accept or reject any such resignation in its discretion after receiving a recommendation made by its management development, nominating and governance committee. Majority Vote means that when there is a quorum present, more than 50% of the votes cast in the election of such director were for the election of such director, with votes cast being equal to the total of the votes for the election of such director plus the votes withheld from the election of such director.

***Recommendation***

**THE MGIC BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE NOMINEES FOR THE MGIC BOARD OF DIRECTORS. PROXIES WILL BE VOTED FOR EACH OF THE MGIC DIRECTOR NOMINEES UNLESS A STOCKHOLDER GIVES OTHER INSTRUCTIONS ON THE PROXY CARD.**

**Table of Contents****[MGIC ALTERNATE PAGE]****PROPOSAL****THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP**

The audit committee of the MGIC board of directors has reappointed the accounting firm of PricewaterhouseCoopers LLP as MGIC's independent registered public accounting firm for the fiscal year ending December 31, 2007. MGIC stockholders are being asked to ratify this appointment at the MGIC annual meeting. A representative of PricewaterhouseCoopers LLP is expected to attend the meeting and will be given an opportunity to make a statement and respond to appropriate questions.

PricewaterhouseCoopers LLP's audit engagement letter has an agreement by MGIC not to demand a jury trial if there is litigation between MGIC and PricewaterhouseCoopers LLP, and a prohibition on transferring to another person a claim MGIC might have against PricewaterhouseCoopers LLP. The engagement letter does not contain a requirement that MGIC arbitrate any disputes with PricewaterhouseCoopers LLP nor does it contain any limitation on its right to damages from PricewaterhouseCoopers LLP.

**Audit and Other Fees**

For the years ended December 31, 2005 and December 31, 2006, PricewaterhouseCoopers LLP billed MGIC fees for services of the following types:

	<b>2005</b>	<b>2006</b>
Audit Fees	\$ 1,522,675	\$ 1,533,100
Audit-Related Fees	10,000	32,000
Tax Fees	30,900	16,170
All Other Fees	12,000	13,000
Total Fees	\$ 1,575,575	\$ 1,594,270

Audit fees include PricewaterhouseCoopers LLP's review of MGIC's quarterly financial statements. Audit-related fees include, for 2006, services related to a debt offering and research and other services for selected ventures and, for 2005, the audit of an employee benefit plan for a joint venture. Tax fees were for corporate tax services and tax compliance services provided to certain former employees. All other fees represents fees for actuarial services relating to pricing certain insurance products, employee benefits and other actuarial services.

The rules of the SEC regarding auditor independence provide that independence may be impaired if the auditor performs services without the pre-approval of the audit committee. The policy of MGIC's audit committee regarding approval and pre-approval of services by the independent auditor includes a list of services that are pre-approved as they become necessary and the audit committee's approving at its February meeting a schedule of other services expected to be performed during the ensuing year. If MGIC desires the auditor to provide a service that is not in either category, the service may be presented for approval by the audit committee at its next meeting or may be approved by

the committee's chairman (or another audit committee member designated by the chairman). MGIC management periodically provides the audit committee information about fees paid for services that have been approved and pre-approved.

The SEC rules regarding auditor independence provide an exception to the approval and pre-approval requirement if services are subsequently approved by an audit committee under a de minimis exception. All of PricewaterhouseCoopers LLP's services to MGIC were pre-approved by the MGIC audit committee in 2006 and, as a result, the de minimis exception was not used in 2006.

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***Stockholder Vote Required***

The affirmative vote of a majority of the votes cast on this matter is required for the ratification of the appointment of PricewaterhouseCoopers LLP as MGIC's independent registered public accounting firm. Abstentions and broker non-votes will not be counted as votes cast.

***Recommendation***

**THE MGIC BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS MGIC'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM. PROXIES WILL BE VOTED FOR RATIFICATION UNLESS A STOCKHOLDER GIVES OTHER INSTRUCTIONS ON THE PROXY CARD.**

**PROPOSAL**

**APPROVE THE ADJOURNMENT OF THE MGIC ANNUAL MEETING**

MGIC is asking its stockholders to vote on a proposal to adjourn the MGIC annual meeting, if necessary or appropriate, in order to allow for the solicitation of additional proxies.

***Stockholder Vote Required***

The affirmative vote of a majority of the votes cast on this matter is required to adjourn the MGIC annual meeting, if necessary or appropriate, in order to allow for the solicitation of additional proxies. Abstentions and broker non-votes will not be counted as votes cast.

***Recommendation***

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF THE ADJOURNMENT OF THE MGIC ANNUAL MEETING, IF NECESSARY OR APPROPRIATE, TO SOLICIT ADDITIONAL PROXIES. PROXIES WILL BE VOTED FOR ADJOURNMENT UNLESS A STOCKHOLDER GIVES OTHER INSTRUCTIONS ON THE PROXY CARD.**

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**CORPORATE GOVERNANCE AND BOARD MATTERS OF MGIC**

**Board Attendance**

The MGIC board of directors met six times during 2006. Each MGIC director attended at least 90% of the meetings of the board and committees of the board on which he or she served during the period of 2006 in which he or she served. The 2007 Annual Meeting of Stockholders of MGIC is scheduled in conjunction with a board meeting and directors are expected to attend the annual meeting. Nine of eleven of MGIC's directors attended the 2006 Annual Meeting of Stockholders of MGIC. One of the directors who did not attend the annual meeting is no longer on MGIC's board.

**Corporate Governance Guidelines and Code of Business Conduct**

The MGIC board of directors has adopted corporate governance guidelines which cover the board's composition, meeting process, director independence, committee structure and functions, chief executive officer succession planning and director compensation. Among other things, pursuant to the corporate governance guidelines, at the January and October MGIC board meetings and at any additional times determined by the board, the board will meet in executive session without the presence of any member of management. For a number of years, including 2006, the board has met in executive session after each board meeting at which directors were present in person. The chairman of the MGIC management development, nominating and governance committee presides at these sessions. The corporate governance guidelines also provide that a director who retires from his principal employment or joins a new employer shall offer to resign from the Board and a director who is an officer of MGIC and leaves MGIC must resign from the Board.

MGIC has a code of business conduct emphasizing its commitment to conducting its business in accordance with legal requirements and the highest ethical standards. The code applies to all MGIC employees, including executive officers, and specified portions are applicable to MGIC's directors. Among other things, the code prohibits MGIC from entering into transactions in which its employees or their immediate family members have a material financial interest (either directly or through a company with which the employee has a relationship) unless all of the following conditions are satisfied:

The terms of the contract or transaction are fair and equitable, at arm's length and are not detrimental to MGIC's interests;

The existence and nature of the interests of the employee are fully disclosed to and approved by the appropriate person; and

The interested employee has not participated on MGIC's behalf in the consideration, negotiation or approval of the contract or transaction.

Under the code, contracts and transactions involving a senior financial officer, an executive officer or any related party may not be entered into prior to disclosure to, and approval of, the MGIC audit committee. Similarly, the code requires the MGIC audit committee approve all transactions with any director or any related party, other than transactions involving the provision of goods or services in the ordinary course of business of both parties. The code requires MGIC's non-employee directors to disclose all transactions with between MGIC and parties related to the director, even if they are in the ordinary course of business.

MGIC's corporate governance guidelines and code of business conduct are available on MGIC's website (<http://www.mgic.com>) under the Investor; About MGIC; Corporate Governance links. Written copies of these documents are available to any stockholder who submits a written request to MGIC's Secretary.



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**Communicating with the MGIC Board**

Stockholders and other interested persons can communicate with the members of the MGIC board of directors, the non-management members of the board as a group or the chairman of the MGIC management development, nominating and governance committee, by sending a written communication to MGIC's corporate Secretary, addressed to: MGIC Investment Corporation, Secretary, P.O. Box 488, Milwaukee, WI 53202. The Secretary will pass along any such communication, other than a solicitation for a product or service, to the chairman of the MGIC management development, nominating and governance committee.

**Director Independence**

MGIC's corporate governance guidelines regarding director independence provide that a director is not independent if the director has any specified disqualifying relationship with MGIC. The disqualifying relationships are equivalent to those of the independence rules of the New York Stock Exchange, except that MGIC's disqualification for board interlocks is more stringent than under the New York Stock Exchange rules. Also, for a director to be independent under the guidelines, the director may not have any material relationship with MGIC. For purposes of determining whether a disqualifying or material relationship exists, MGIC considers relationships with MGIC and its consolidated subsidiaries. MGIC's corporate governance guidelines are available on the MGIC website (<http://www.mgic.com>) under the Investor; About MGIC; Corporate Governance links.

In February 2007, the MGIC board of directors determined that all of MGIC's directors are independent under the MGIC corporate governance guidelines and the New York Stock Exchange rules, except for Mr. Culver. The board made its determination by considering that no disqualifying relationships existed during the periods specified under the guidelines and the New York Stock Exchange rules. To determine that there were no material relationships, the board applied categorical standards that it had adopted. All independent directors met these standards. Under these standards, a director is not independent if payments under transactions between MGIC and a company of which the director is an executive officer or 10% or greater owner exceeded the greater of \$1 million or 1% of the other company's gross revenues. Payments made to and payments made by MGIC are considered separately, and this quantitative threshold is applied to transactions that occurred in the three most recent fiscal years of the other company. Also under these standards, a director is not independent if during MGIC's last three fiscal years the director:

Was an executive officer of a charity to which MGIC made contributions, or

Was an executive officer or member of a law firm or investment banking firm providing services to MGIC, or

Received any direct compensation from MGIC other than as a director, or if during such period a member of the director's immediate family received compensation from MGIC.

In making its independence determinations, the MGIC board considered the following transactions for purposes of applying MGIC's rules on independence. All of these transactions were below the quantitative threshold noted above and all of them were entered into in the ordinary course of both MGIC's and the other parties' businesses: contract underwriting services provided to, and mortgage insurance premiums received from, American Security Mortgage Corp. (of which Mr. Abbott is the chairman and a principal) and Temple-Inland Inc. (of which Mr. Jastrow is the chairman and chief executive officer).

## **Committees**

The MGIC board of directors has five committees: audit; management development, nominating and governance; risk management; securities investment; and executive. Information regarding these committees is provided below. The charters of the audit, management development, nominating and governance, risk management and securities investment committees are available on the MGIC website (<http://www.mgic.com>)

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under the Investor; About MGIC; Corporate Governance links. Written copies of these charters are available to any MGIC stockholder who submits a written request to MGIC's Secretary.

**Audit Committee**

The members of the MGIC audit committee are Messrs. Lehman (Chairman), Kearney and McIntosh. The MGIC board's determination that each of these directors meets all applicable independence requirements took account of Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended. The MGIC board has determined that Mr. Lehman is an audit committee financial expert as that term is defined in Regulation S-K of the Securities Exchange Act of 1934, as amended. The MGIC audit committee met 13 times during 2006.

**Audit Committee Report**

The MGIC audit committee assists the oversight by the MGIC board of the integrity of MGIC's financial statements, the effectiveness of its system of internal controls, the qualifications, independence and performance of its independent accountants, the performance of its internal audit function, and its compliance with legal and regulatory requirements. As provided in the audit committee charter, the ultimate responsibility for the integrity, completeness and fairness of MGIC's financial statements and the effectiveness of its internal controls rests with MGIC's management. The audit committee charter provides that the independent accountants are intended to be the primary check on management's performance in this regard. The ultimate responsibility for MGIC's compliance with legal and regulatory requirements also rests with MGIC's management.

The MGIC audit committee reviewed and discussed with management and PricewaterhouseCoopers LLP, MGIC's independent registered public accounting firm, its audited financial statements for the year ended December 31, 2006. The audit committee discussed with PricewaterhouseCoopers LLP the matters required to be discussed by AICPA Statement on Auditing Standards No. 61 (Communication with Audit Committees). The audit committee also received from PricewaterhouseCoopers LLP the written disclosures required by the Independence Standards Board's Standard No. 1 (Independence Discussions with Audit Committees) and discussed with PricewaterhouseCoopers LLP their independence from MGIC and its management. None of the officers of MGIC having responsibility for finance or accounting matters is a former partner or employee of PricewaterhouseCoopers LLP.

In reliance on the reviews and discussions referred to above, the MGIC audit committee recommended to the MGIC board of directors that MGIC's audited financial statements be included in its annual report on Form 10-K for the year ended December 31, 2006, which has been filed with the SEC. These are the same financial statements that appear in MGIC's annual report to stockholders.

**Members of the Audit Committee:**

Michael E. Lehman, Chairman  
Daniel P. Kearney  
William A. McIntosh

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**Management Development, Nominating and Governance Committee**

The members of the MGIC management development, nominating and governance committee are Messrs. Jastrow (Chairman), Hagerty and Muma. The committee met five times during 2006. The committee is responsible for overseeing MGIC's executive compensation program, including approving corporate goals relating to compensation for MGIC's Chief Executive Officer, determining the Chief Executive Officer's annual compensation and reviewing performance evaluations and approving compensation for MGIC's other senior executives. The management development, nominating and governance committee prepares the MGIC Compensation Committee Report and reviews the MGIC Compensation Discussion and Analysis included elsewhere in this joint proxy statement/prospectus. Although the management development, nominating and governance committee may delegate its responsibilities to subcommittees, it has not done so.

The materials provided to the MGIC management development, nominating and governance committee annually in advance of its meetings include: detailed breakdowns of the total compensation of the executive officers named in the MGIC Summary Compensation Table; the amount that MGIC's executive officers realized in the previous year pursuant to equity grants; the total amount of stock, stock options and restricted equity held by each MGIC executive officer; and other MGIC compensation information disclosed in this joint proxy statement/prospectus. The management development, nominating and governance committee reviews these materials and Mr. Culver's recommendations regarding the salaries and annual bonuses of our senior managers (other than his own salary and bonus).

The MGIC management development, nominating and governance committee has retained Frederic W. Cook & Co., a nationally recognized executive compensation consulting firm, to advise it. The committee retains this compensation consultant to, among other things, help it determine that MGIC's executive compensation program provides appropriate compensation packages for MGIC's executive officers and that the components of compensation are structured in a manner that is both competitive and appropriate in light of the objectives set forth in the section entitled "Compensation of Executive Officers and Directors of MGIC - Compensation Discussion and Analysis. Overview and Objectives of MGIC's Executive Compensation Program" below. The scope of the compensation consultant's retention varies, but typically includes providing reports comparing total compensation of MGIC's executive officers to the amounts paid by a comparison group of public companies. These reports generally cover MGIC's chief executive officer, MGIC's chief financial officer and the next three highest paid executive officers of MGIC. In providing its services to the management development, nominating and governance committee, the compensation consultant regularly interacts with MGIC senior management. The compensation consultant does not provide any other services to MGIC.

The management development, nominating and governance committee also oversees the chief executive officer succession planning process, identifies new director candidates and makes recommendations to the board to fill open director and committee member positions. The committee reviews MGIC's corporate governance guidelines and oversees the board's self-evaluation process. Finally, the committee identifies new director candidates through recommendations from its members, other board members and MGIC's executive officers, and will consider candidates who are recommended by MGIC stockholders, as described below.

The MGIC management development, nominating and governance committee and board of directors believe that a director nominee should have an inquiring and independent mind, sound and considered judgment, high standards of ethical conduct and integrity, and well-respected experience at senior levels of business, academia, government or other fields that will enable the board to have access to a diverse body of talent and expertise relevant to our activities.

The committee and the board also believe that a candidate's other time commitments, anticipated tenure on the board, and whether the candidate will enable the board to continue to have a substantial majority of independent directors under the MGIC corporate governance guidelines must be considered for each candidate.

MGIC stockholders may recommend a candidate for director by submitting background information about the candidate, a description of his or her qualifications and the candidate's consent to the recommendation. If

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the candidate is to be considered for nomination at MGIC's next annual stockholders meeting, the submission must be received by MGIC's corporate Secretary in writing no later than December 1 of the year preceding the meeting. Additional information on stockholder nominations is provided under Questions and Answers About the Annual Meetings and the Merger in response to the question What Are The Deadlines For Submission Of Stockholder Proposals For The Next Annual Meeting?

The MGIC management development, nominating and governance committee evaluates new director candidates under the criteria described above, as well as other factors it deems relevant, through background reviews, input from other directors and executive officers of MGIC, and personal interviews with the candidate. The committee will evaluate any director candidates recommended by MGIC stockholders using the same process. In determining whether to recommend current board members as nominees for re-election to the MGIC board, the management development, nominating and governance committee reviews the directors' board performance and solicits feedback about the directors from other board members.

**Risk Management Committee**

The members of the MGIC risk management committee are Dr. Case (Chairman) and Messrs. Abbott, Engelman and Nicolaisen. The committee met five times in 2006. The committee is responsible for overseeing management's operation of MGIC's mortgage insurance business, including reviewing and evaluating with management the insurance programs, rates, underwriting guidelines and changes in market conditions affecting the business.

**Securities Investment Committee**

The members of the MGIC securities investment committee are Messrs. Kearney (Chairman), Engelman and McIntosh. The committee met four times in 2006. The committee oversees management of MGIC's investment portfolio and the investment portfolios of MGIC's employee benefit plans. The committee also makes recommendations to the MGIC board regarding MGIC's capital management, including dividend policy, repurchase of shares and external funding.

**Executive Committee**

The MGIC executive committee provides an alternative to convening a meeting of the entire board should a matter arise between board meetings that requires board authorization. The members of the committee are Messrs. Culver (Chairman), Jastrow and Muma. The executive committee did not meet in 2006 and did not meet in any of the three prior years. The executive committee is established under the MGIC amended and restated bylaws and has all authority that the MGIC board may exercise with the exception of certain matters that under the Wisconsin Business Corporations Law are reserved to the board itself.

**Director Compensation**

For a description of the compensation of MGIC's directors, see the section entitled Compensation of Executive Officers and Directors of MGIC Compensation of Directors.

**Table of Contents****[MGIC ALTERNATE PAGE]****BENEFICIAL OWNERSHIP OF MGIC COMMON STOCK**

The following table identifies holders of more than 5% of the outstanding shares of MGIC common stock as of December 31, 2006, based on information filed with the SEC. The table also shows the amount of our common stock beneficially owned by each MGIC named executive officer included in this joint proxy statement/prospectus and all directors and named executive officers as a group. Unless otherwise noted, the persons listed in the table have sole voting and investment power over their shares, and information regarding the directors and executive officers is given as of February 15, 2007.

<b>Name</b>	<b>Shares Beneficially Owned</b>	<b>Percent of Class</b>
Putnam, LLC d/b/a Putnam Investments Marsh & McLennan Companies, Inc. Putnam Investment Management, LLC The Putnam Advisory Company, LLC One Post Office Square Boston, MA 02109 <sup>(1)</sup>	8,049,238	9.72%
NWQ Investment Management Company, LLC 2049 Century Park East, 16th Floor Los Angeles, CA 90067 <sup>(2)</sup>	6,845,472	8.27%
ClearBridge Advisors, LLC ClearBridge Asset Management, Inc. Smith Barney Fund Management LLC 399 Park Avenue New York, New York 10022 <sup>(3)</sup>	5,263,394	6.36%
Barrow, Hanley, Mewhinney & Strauss, Inc. 2200 Ross Avenue, 31st Floor Dallas, Texas 75201 <sup>(4)</sup>	4,698,109	5.67%
JP Morgan Chase & Co. 270 Park Avenue New York, NY 10017 <sup>(5)</sup>	4,581,716	5.53%
LSV Asset Management One North Wacker Drive, Suite 4000 Chicago, IL 60606 <sup>(6)</sup>	4,367,130	5.27%
Curt S. Culver <sup>(7)</sup>	815,399	*
J. Michael Lauer <sup>(7)</sup>	323,824	*
Patrick Sinks <sup>(7)</sup>	193,498	*
Lawrence J. Pierzchalski <sup>(7)</sup>	250,955	*
Jeffrey H. Lane <sup>(7)</sup>	219,928	*
All directors and executive officers as a group (17 persons) <sup>(7)(8)</sup>	2,183,054	2.60%

\* Less than 1%

- (1) The companies listed, some of which are registered investment advisers, reported ownership as a group and that they have shared voting power for 424,241 shares, no voting power with respect to the remaining shares and shared investment power for all of the shares.
- (2) NWQ Investment Management Company, a registered investment adviser, reported that it had sole voting power for 5,937,137 of the shares and no voting power with respect to the remainder of the shares.
- (3) The companies listed reported ownership as a group and that they had shared voting power for 4,655,289 shares, no voting power with respect to the remaining shares and shared investment power for all of the shares.



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- (4) Barrow, Hanley, Mewhinney & Strauss, Inc., a registered investment adviser, reported that it had shared voting power for 1,653,305 shares.
- (5) JP Morgan Chase & Co. reported that it had sole voting power for 3,268,932 shares, shared voting power for 391,510 shares, sole investment power for 4,176,243 shares and shared investment power for 395,622 shares.
- (6) LSV Asset Management, a registered investment adviser, reported that it had sole investment power for 1,367,130 shares and no investment power with respect to the remainder of the shares.
- (7) Includes shares that could be purchased on February 15, 2007 or within 60 days thereafter by exercise of stock options granted to the executive officers: Mr. Culver 461,800; Mr. Lauer 154,400; Mr. Sinks 48,000; Mr. Pierzchalski 154,400; Mr. Lane 86,600; and all executive officers as a group 998,600. Also includes shares held in our Profit Sharing and Savings Plan and Trust: Mr. Culver 12,673; Mr. Lauer 10,590; Mr. Sinks 1,740; and all executive officers as a group 34,610. Also includes restricted shares over which the named executive officer has sole voting power, but no investment power: Mr. Culver 156,940; Mr. Lauer 40,607; Mr. Sinks 86,754; Mr. Pierzchalski 59,961; Mr. Lane 48,492; and all executive officers as a group 429,172. Also includes shares underlying restricted stock units for which the named executive officers have neither voting nor investment power: Mr. Culver 56,000; Mr. Lauer 30,240; Mr. Sinks 20,000; Mr. Pierzchalski 10,800; Mr. Lane 18,900; and all executive officers as a group 160,055. Also includes shares for which voting and investment power are shared as follows: Mr. Lauer 86,467; and all directors and executive officers as a group 97,168.
- (8) Includes an aggregate of 40,656 share units and 32,327 shares underlying restricted stock units held by our non-employee directors. Our directors have neither investment nor voting power over these share units and restricted stock units. Also includes an aggregate of 462,572 restricted shares held by all dir