

Ally Financial Inc.
Form S-3ASR
August 24, 2012
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As filed with the Securities and Exchange Commission on August 24, 2012

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

ALLY FINANCIAL INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

38-0572512
(I.R.S. Employer

Identification Number)

200 Renaissance Center

P.O. Box 200

Detroit, Michigan 48265-2000

(866) 710-4623

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(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

David J. DeBrunner

200 Renaissance Center

Detroit, Michigan 48265-2000

(866) 710-4623

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copy to:

Jeffrey Belisle, Esq.

**200 Renaissance Center
Detroit, Michigan 48265-2000
(866) 710-4623**

Richard A. Drucker, Esq.

**Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10017
(212) 450-4000**

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

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, 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, please 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(c) 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 registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

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

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Large accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer
Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Ally Financial Term Notes Due from Nine Months to Thirty Years from Date of Issue	(1)	(1)	(1)	(1)

- (1) An indeterminate amount of securities to be offered at indeterminate prices is being registered pursuant to this registration statement. The registrant is deferring payment of the registration fee pursuant to Rule 456(b) and is omitting this information in reliance on Rule 456(b) and Rule 457(r).

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PROSPECTUS

\$3,000,000,000*

Ally Financial Inc.

Ally Financial Term Notes

Due from 9 Months to 30 Years from Date of Issue

Ally Financial Inc. may offer to sell its notes (Ally Financial Term Notes) from time to time. While Ally initially is targeting an aggregate principal amount of \$3,000,000,000 of issuances of Ally Financial Term Notes, Ally has registered an indeterminate amount of Ally Financial Term Notes and may issue a greater aggregate principal amount of Ally Financial Term Notes. The specific terms of each Ally Financial Term Note will be set prior to the time of sale and described in a pricing supplement to this prospectus. You should read this prospectus, including the documents incorporated by reference herein, and the applicable pricing supplement carefully before you invest.

The Ally Financial Term Notes will mature from 9 months to 30 years from date of issue, as specified in the applicable pricing supplement.

The Ally Financial Term Notes may be subject to redemption or repayment at our option or the option of the holder, as specified in the applicable pricing supplement.

The Ally Financial Term Notes will bear interest at either a fixed or floating rate, as specified in the applicable pricing supplement. The floating interest rate formula may be based on the Treasury Rate, the Prime Rate, or LIBOR.

Interest on fixed rate Ally Financial Term Notes will be paid monthly, quarterly, semi-annually or annually or as otherwise specified in the applicable pricing supplement. Interest on floating rate Ally Financial Term Notes will be paid on dates specified in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, the Ally Financial Term Notes will have minimum denominations of \$1,000 increased in integral multiples of \$1,000.

Investing in the Ally Financial Term Notes offered by this prospectus involves risks. See Risk Factors beginning on page 6 of this prospectus and contained in our periodic reports filed with the Securities and Exchange Commission, as well as the other information contained or incorporated by reference in this prospectus.

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The Ally Financial Term Notes will be offered through selling agents (the Agents) on a delayed or continuous basis. The Agents have agreed to use their reasonable efforts to solicit purchases of the Ally Financial Term Notes. Unless otherwise specified in an applicable pricing supplement, the Ally Financial Term Notes will not be listed on any securities exchange, listing authority or quotation system, and there can be no assurance that the Ally Financial Term Notes offered will be sold or that there will be a secondary market for the Ally Financial Term Notes.

The Agents have advised us that they intend to make a market in the Ally Financial Term Notes, but the Agents are not obligated to do so, and any market-making with respect to the Ally Financial Term Notes may be discontinued without notice at any time. No termination date for the offering of the Ally Financial Term Notes has been established.

	Per Ally Financial Term Note		Total	
Price to public	100.000%, unless otherwise specified in an applicable Pricing Supplement		\$3,000,000,000*	
Agents' discounts and concessions	0.400%	4.000%	\$12,000,000	\$120,000,000*
Proceeds, before expenses, to Ally	96.000%	99.600%	\$2,880,000,000	\$2,988,000,000*

The Ally Financial Term Notes will not be savings accounts, deposits or other obligations of any bank and will not be insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

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

Incapital LLC

Citigroup

J.P. Morgan

Morgan Stanley

RBC Capital Markets

The date of this prospectus is August 24, 2012.

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Unless the context indicates otherwise, references in this prospectus to the Company, Ally, we, us and our refer to Ally Financial Inc.

AGENTS AND DEALERS PARTICIPATING IN THE OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE ALLY FINANCIAL TERM NOTES OFFERED IN THIS PROSPECTUS, INCLUDING STABILIZING TRANSACTIONS, SHORT-COVERING TRANSACTIONS AND PENALTY BIDS. THESE TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

* The \$3,000,000,000 aggregate principal amount listed on the cover of this prospectus is only an indicative amount. Ally has registered an indeterminate amount of securities pursuant to a shelf registration statement and issuances pursuant to this shelf registration statement may, in the aggregate, exceed \$3,000,000,000. If Ally issues in excess of \$3,000,000,000, references to, and calculations based upon, this amount will be adjusted accordingly although such references and calculations will not be updated through a post-effective amendment of Ally's shelf registration statement of which this prospectus forms a part.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission (the SEC) utilizing a shelf registration process. Under this shelf process, we may from time to time sell the Ally Financial Term Notes described in this prospectus in one or more offerings. This prospectus provides you with a general description of the Ally Financial Term Notes we may offer. Each time we sell Ally Financial Term Notes, we will provide a pricing supplement that will contain specific information about the terms of that offering. The pricing supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any pricing supplement together with additional information described under the heading Information Incorporated By Reference; Where You Can Find More Information.

Neither we nor the Agents have authorized anyone to provide any information other than that contained or incorporated by reference in this prospectus or in any pricing supplement prepared by or on behalf of us. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not, and the Agents are not, making an offer of these securities or soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in or incorporated by reference in this prospectus or any pricing supplement is accurate as of any date other than their respective dates.

The distribution of this prospectus and any pricing supplement and the offering of the Ally Financial Term Notes in certain jurisdictions may be restricted by law. Persons into whose possession this prospectus or any pricing supplement comes should inform themselves about and observe such restrictions. This prospectus and any pricing supplement do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information in this prospectus is directed to you if you are a resident of the United States. We do not claim any responsibility to advise you if you are a resident of a country other than the United States with respect to any matters that may affect the purchase, sale, holding or receipt of payments of principal of, premium, if any, and interest, if any, on, the Ally Financial Term Notes. If you are not a resident of the United States, you should consult your own legal, tax and financial advisors with regard to these matters.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains or incorporates by reference documents containing various forward-looking statements within the meaning of applicable federal securities laws, including the Private Securities Litigation Reform Act of 1995, that are based upon our current expectations and assumptions concerning future events that are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated.

The words expect, anticipate, estimate, forecast, initiative, objective, plan, goal, project, outlook, priorities, target, intend, may, would, could, should, believe, potential, continue, or the negative of any of these words or similar expressions is intended to identify forward-looking statements. All statements contained in or incorporated by reference into this prospectus, other than statements of historical fact, including without limitation statements about future events and financial performance, are forward-looking statements that involve certain risks and uncertainties.

While these statements represent our current judgment on what the future may hold, and we believe these judgments are reasonable, these statements are not guarantees of any events or financial results, and our actual results may differ materially due to numerous important factors that are described in this prospectus under the heading Risk Factors and in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, as updated by our subsequent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and the other documents specifically incorporated by reference herein. See Information Incorporated by Reference; Where You Can Find More Information. Many of these risks, uncertainties and assumptions are beyond our control, and may cause our actual results and performance to differ materially from our expectations. Accordingly, you should not place undue reliance on the forward-looking statements contained or incorporated by reference in this prospectus. Such forward-looking statements speak only as of the date on which the statements were made. We undertake no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, future events or other such factors that affect the subject of these statements, except where expressly required by law.

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SUMMARY

This summary describes some of the principal terms of the Ally Financial Term Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of Ally Financial Term Notes section of this prospectus contains more detailed descriptions of the terms and conditions of the Ally Financial Term Notes. You should carefully read this prospectus in its entirety, including the information incorporated by reference into this prospectus, to understand fully the terms of the Ally Financial Term Notes, as well as the other considerations that are important in making your investment decision. You should pay special attention to the Risk Factors beginning on page 6 and the section entitled Cautionary Statement Regarding Forward-Looking Statements on page 2.

Final terms of any particular series of Ally Financial Term Notes will be determined at the time of sale and will be contained in the pricing supplement relating to that series of Ally Financial Term Notes. The terms in that pricing supplement may vary from and supersede the terms contained in this summary and in the Description of Ally Financial Term Notes.

Issuer	Ally Financial Inc.
Purchasing Agent	Incapital LLC
Title	Ally Financial Term Notes
Amount	Initially, up to \$3,000,000,000 aggregate principal amount of Ally Financial Term Notes under this prospectus. While Ally initially is targeting an aggregate principal amount of \$3,000,000,000 of issuances of Ally Financial Term Notes, Ally has registered an indeterminate amount of Ally Financial Term Notes and may issue a greater aggregate principal amount of Ally Financial Term Notes. Additional Ally Financial Term Notes may be issued in the future without the consent of the holders of Ally Financial Term Notes. The Ally Financial Term Notes will not contain any limitations on our ability to issue additional indebtedness in the form of Ally Financial Term Notes or otherwise.
Denomination	Unless otherwise specified in the applicable pricing supplement, the authorized minimum denominations of Ally Financial Term Notes will be \$1,000 increased in integral multiples of \$1,000.
Ranking	The Ally Financial Term Notes are unsecured and unsubordinated obligations of Ally Financial Inc. and will rank equally and ratably with all other unsecured and unsubordinated indebtedness of Ally Financial Inc. from time to time outstanding (other than obligations preferred by mandatory provision of law).
Maturity	The Ally Financial Term Notes will mature from nine months to thirty years from the date of issue, as specified in the applicable pricing supplement.
Interest Rate	As more fully specified in the applicable pricing supplement, Ally Financial Term Notes will bear interest from the date on which such Ally Financial Term Notes are issued at a fixed or floating interest rate. Ally may issue a series of Fixed Rate Ally Financial Term Notes

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with a fixed interest rate of zero at an Issue Price representing a substantial discount from the principal amount payable upon the Maturity Date (a Zero-Coupon Ally Financial Term Note).

Interest Payment Date

Unless otherwise specified in the applicable pricing supplement, interest on each Fixed Rate Ally Financial Term Note (other than a Zero-Coupon Ally Financial Term Note) will be calculated on the basis of a 360-day year of twelve 30-day months, payable either monthly, quarterly, semi-annually or annually on each Interest Payment Date and on the Maturity Date. Interest on each Floating Rate Ally Financial Term Note will be calculated and payable as set forth in the applicable pricing supplement. If applicable, interest will also be paid on the date of redemption or repayment if an Ally Financial Term Note is redeemed or repurchased in accordance with its terms prior to its stated maturity.

Principal

Unless otherwise provided in the applicable pricing supplement, the principal amount of the Ally Financial Term Notes will be payable on the Maturity Date of such Ally Financial Term Notes at the Corporate Trust Office of the Trustee or at such other place as we may designate.

Redemption

Unless otherwise specified in the applicable pricing supplement, we will not be permitted to redeem an Ally Financial Term Note and the holder will not be able to require us to repay the Ally Financial Term Note prior to its Maturity Date.

Sinking Fund

Unless otherwise specified in the applicable pricing supplement, the Ally Financial Term Notes will not be subject to any sinking fund.

Form of Ally Financial Term Notes, Sale and Clearance

Unless otherwise specified in the applicable pricing supplement or as required by the indenture, Ally Financial Term Notes will be issued in book-entry form only and will be represented by one or more global Ally Financial Term Notes in fully registered form, without coupons. We currently do not intend to issue Ally Financial Term Notes in certificated form.

The Ally Financial Term Notes will clear through The Depository Trust Company, or any successor thereto. Global Ally Financial Term Notes will be exchangeable for definitive Ally Financial Term Notes only in limited circumstances. See Description of Ally Financial Term Notes Book-Entry; Delivery and Form.

We will sell Ally Financial Term Notes in the United States only.

Survivor's Option

The applicable pricing supplement will indicate whether the holder of an Ally Financial Term Note will have the right to require us to repay an Ally Financial Term Note prior to its Maturity Date upon the death of the beneficial owner of such Ally Financial Term Note. This feature, which is referred to as a Survivor's Option, permits the optional repayment of an Ally Financial Term Note prior to its stated

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maturity, if requested by the authorized representative of the beneficial owner of such Ally Financial Term Note within one year of the death of the beneficial owner of the Ally Financial Term Note, so long as the Ally Financial Term Note was owned by the beneficial owner at least six months prior to his or her death. Your Ally Financial Term Notes will not be repaid in this manner unless the pricing supplement for your Ally Financial Term Notes specifically provides for the Survivor's Option. The right to exercise the Survivor's Option is subject to limits set by us on (1) the permitted dollar amount of total exercises by all holders of Ally Financial Term Notes in any calendar year, and (2) the permitted dollar amount of an individual exercise by a holder of Ally Financial Term Notes in any calendar year. Additional details on the Survivor's Option are described in the section entitled "Description of Ally Financial Term Notes Repayment upon Death - The Survivor's Option" on page 27.

Trustee

The Bank of New York Mellon, 101 Barclay Street, 4E, New York, New York 10286, under an Indenture dated as of September 24, 1996, as amended and supplemented from time to time.

Agents

Incapital LLC

Citigroup Global Markets Inc.

J.P. Morgan Securities LLC

Morgan Stanley & Co. LLC

RBC Capital Markets, LLC

Selling Group Members

The Agents and dealers composing the selling group are broker-dealers and securities firms. The Agents, including the Purchasing Agent, have entered into a Selling Agent Agreement with us dated August 24, 2012. Broker-dealers and/or securities firms who are members of the selling group have executed a Master Selected Dealer Agreement with the Purchasing Agent. The Agents and the dealers have agreed to market and sell the Ally Financial Term Notes in accordance with the terms of those respective agreements and all applicable laws and regulations. You may contact the Purchasing Agent at info@incapital.com for a list of selling group members.

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RISK FACTORS

Your investment in Ally Financial Term Notes involves risks. In consultation with your own financial, tax and legal advisors, you should be aware of, and carefully consider, the following risk factors, along with all of the risks and other information provided or referred to in this prospectus and the documents incorporated by reference herein, including the discussions in our Annual Report on Form 10-K for the year ended December 31, 2011 (which may be amended or supplemented in subsequent reports on Form 10-K, Form 10-Q or Form 8-K), before deciding whether to participate in any offering of Ally Financial Term Notes. The risks described below are intended to highlight risks that are specific to the Ally Financial Term Notes, but are not the only risks that we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of those risks actually occurs, our business, financial condition and results of operations would suffer. The risks discussed below also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements. See Cautionary Statement Regarding Forward-Looking Statements on page 2 of this prospectus.

Risks Related to the Ally Financial Term Notes

Our substantial level of indebtedness could materially adversely affect our ability to generate sufficient cash to fulfill our obligations under the Ally Financial Term Notes, our ability to react to changes in our business and our ability to incur additional indebtedness to fund future needs.

We have a substantial amount of indebtedness, which requires significant interest and principal payments. As of June 30, 2012 we had approximately \$98.0 billion in principal amount of indebtedness outstanding. Our existing and future secured indebtedness will rank effectively senior to the Ally Financial Term Notes offered hereby to the extent of the value of the assets securing such indebtedness. We may incur additional indebtedness from time to time. If we do so, the risks related to our high level of indebtedness could be increased.

Our substantial level of indebtedness could have important consequences to holders of the Ally Financial Term Notes, including the following:

making it more difficult for us to satisfy our obligations with respect to our indebtedness, including the Ally Financial Term Notes;

requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing funds available for other purposes;

increasing our vulnerability to adverse economic and industry conditions, which could place us at a competitive disadvantage compared to our competitors that have relatively less indebtedness;

limiting our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate; and

limiting our ability to borrow additional funds, or to dispose of assets to raise funds, if needed, for working capital, capital expenditures, acquisitions, research and development and other corporate purposes.

In addition, a breach of any of the restrictions or covenants in our debt agreements could cause a cross-default under other debt agreements. A significant portion of our indebtedness then may become immediately due and payable. We are not certain whether we would have, or be able to obtain, sufficient funds to make these accelerated payments. If any of our indebtedness is accelerated, our assets may not be sufficient to repay in full such indebtedness and our other indebtedness.

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We may not be able to generate sufficient cash to service all of our indebtedness, including the Ally Financial Term Notes.

Our ability to make scheduled payments of principal and interest or to satisfy our obligations in respect of our indebtedness, to refinance our indebtedness or to fund capital expenditures will depend on our future operating performance. Prevailing economic conditions (including interest rates), regulatory constraints, including, among other things, on distributions to us from our subsidiaries and required capital levels with respect to certain of our banking and insurance subsidiaries, and financial, business and other factors, many of which are beyond our control, will also affect our ability to meet these needs. We may not be able to generate sufficient cash flows from operations, or obtain future borrowings in an amount sufficient to enable us to pay our indebtedness, or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness on or before maturity. We may not be able to refinance any of our indebtedness when needed on commercially reasonable terms or at all.

Our subsidiaries are not guarantors of the Ally Financial Term Notes and will not be restricted under the indenture for the Ally Financial Term Notes. Your right to receive payments on the Ally Financial Term Notes are effectively subordinated to the indebtedness and other liabilities of our subsidiaries.

Our subsidiaries will not guarantee the Ally Financial Term Notes and will not be restricted under the indenture for the Ally Financial Term Notes. Accordingly, in the event of a bankruptcy or insolvency, the claims of creditors of our subsidiaries would rank effectively senior to the Ally Financial Term Notes, to the extent of the assets of those subsidiaries. None of our subsidiaries, or any of their respective subsidiaries, has any obligation to pay any amounts due on the Ally Financial Term Notes or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries, holders of their liabilities, including trade creditors, will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to us. The Ally Financial Term Notes and the indenture will permit us to sell our interests in (through merger, consolidation or otherwise) the subsidiaries, or sell all or substantially all of the assets of any of our subsidiaries, in each case, without the consent of the holders of the Ally Financial Term Notes in certain circumstances.

Our less than wholly owned subsidiaries may also be subject to restrictions on their ability to distribute cash to us in their financing or other agreements. As a result, we may not be able to access their cash flows to service our debt obligations, including obligations in respect of the Ally Financial Term Notes.

The Ally Financial Term Notes will be effectively subordinated to our existing and future secured indebtedness which is secured by a lien on certain of our assets.

As of June 30, 2012, we had approximately \$49.6 billion in aggregate principal amount of secured indebtedness outstanding. The Ally Financial Term Notes will not be secured by any of our assets. As a result, our existing and future secured indebtedness will rank effectively senior to the indebtedness represented by the Ally Financial Term Notes, to the extent of the value of the assets securing such indebtedness. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation or reorganization, or other bankruptcy proceeding, our secured creditors will have a superior claim to their collateral, as applicable. If any of the foregoing occurs, we cannot assure you that there will be sufficient assets to pay amounts due on the Ally Financial Term Notes. The existing and future liabilities of our subsidiaries will be structurally senior to the indebtedness represented by the Ally Financial Term Notes to the extent of the value of the assets of such subsidiaries.

In addition, if we default under any of our existing or future secured indebtedness, the holders of such indebtedness could declare all of the funds borrowed thereunder, together with accrued interest, immediately due and payable. If we are unable to repay such indebtedness, the holders of such indebtedness could foreclose on the pledged assets to the exclusion of the holders of the Ally Financial Term Notes, even if an event of default exists

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under the indenture governing the Ally Financial Term Notes at such time. In any such event, because the Ally Financial Term Notes will not be secured by any of our assets, it is possible that there would be no assets remaining from which your claims could be satisfied or, if any assets remained, they might be insufficient to satisfy your claims in full.

A court could deem the issuance of the Ally Financial Term Notes to be a fraudulent conveyance and void all or a portion of the obligations represented by the Ally Financial Term Notes.

In a bankruptcy proceeding, a trustee, debtor in possession, or someone else acting on behalf of the bankruptcy estate may seek to recover transfers made or void obligations incurred prior to the bankruptcy proceeding on the basis that such transfers and obligations constituted fraudulent conveyances. Fraudulent conveyances are generally defined to include transfers made or obligations incurred for less than reasonably equivalent value or fair consideration when the debtor was insolvent, inadequately capitalized or in similar financial distress or that rendered the debtor insolvent, inadequately capitalized or unable to pay its debts as they become due, or transfers made or obligations incurred with the intent of hindering, delaying or defrauding current or future creditors. A trustee or such other parties may recover such transfers and avoid such obligations made within two years prior to the commencement of a bankruptcy proceeding. Furthermore, under certain circumstances, creditors may generally recover transfers or void obligations outside of bankruptcy under applicable fraudulent transfer laws, within the applicable limitation period, which are typically longer than two years. In bankruptcy, a representative of the estate may also assert such claims. If a court were to find that Ally issued the Ally Financial Term Notes under circumstances constituting a fraudulent conveyance, the court could void all or a portion of the obligations under the Ally Financial Term Notes. In addition, under such circumstances, the value of any consideration holders received with respect to the Ally Financial Term Notes could also be subject to recovery from such holders and possibly from subsequent transferees.

Therefore, an Ally Financial Term Note could be voided, or claims in respect of an Ally Financial Term Note could be subordinated to all other debts of Ally, if Ally at the time it incurred the indebtedness evidenced by the Ally Financial Term Notes received less than reasonably equivalent value or fair consideration for the issuance of the Ally Financial Term Notes, and:

was insolvent or rendered insolvent by reason of such issuance or incurrence;

was engaged in a business or transaction for which Ally's remaining assets constituted unreasonably small capital; or

intended to incur, or believed that it would incur, debts beyond its ability to pay those debts as they mature.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a debtor would be considered insolvent if:

the sum of its debts, including contingent liabilities, was greater than all of its assets at fair valuation;

the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or

it could not pay its debts as they become due.

We cannot assure you as to what standard a court would apply in determining whether Ally would be considered to be insolvent. If a court determined that Ally was insolvent after giving effect to the issuance of the Ally Financial Term Notes, it could void the Ally Financial Term Notes, or potentially impose other forms of damages.

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With respect to certain actions under the indenture governing the Ally Financial Term Notes, holders of all series of Ally Financial Term Notes issued under the indenture that are adversely affected by such actions will vote together as a single class; therefore the voting interest of a holder of an Ally Financial Term Note of a particular series will be diluted with respect to such actions.

For purposes of the indenture governing the Ally Financial Term Notes, all Ally Financial Term Notes issued thereunder will generally constitute a single class of debt securities. Therefore, any action under the indenture governing the Ally Financial Term Notes other than those actions affecting only a particular series of Ally Financial Term Notes will require the consent of the holders of not less than 66²/₃% in aggregate principal amount of Ally Financial Term Notes of all series issued thereunder that are affected thereby. See Description of Ally Financial Term Notes Modification of the Indenture. Consequently, any action requiring the consent of holders of any series of Ally Financial Term Notes under the indenture may also require the consent of holders of a significant portion of the other series of Ally Financial Term Notes issued thereunder, and the individual voting interest of each holder of Ally Financial Term Notes may be accordingly diluted with respect to such actions. In addition, holders of all series of Ally Financial Term Notes could vote in favor of certain actions under the indenture that holders of a particular series of the Ally Financial Term Notes vote against, and the requisite consent to such action could be received nonetheless. We also may, from time to time, issue additional Ally Financial Term Notes under the indenture governing the Ally Financial Term Notes which could further dilute the individual voting interest of each holder of Ally Financial Term Notes with respect to such actions.

We cannot assure you that a market will develop or be maintained for the Ally Financial Term Notes or what the market price will be.

We cannot assure you that a trading market for the Ally Financial Term Notes will develop or be maintained. Many factors will affect the trading market, if any, of the Ally Financial Term Notes. These factors include:

the creditworthiness of Ally Financial Inc.;

the method of calculating the principal, premium and interest in respect of the Ally Financial Term Notes;

the time remaining to the maturity of the Ally Financial Term Notes;

the outstanding amount of the Ally Financial Term Notes and the amount of other outstanding indebtedness of Ally Financial Inc.;

the redemption features, if any, of the Ally Financial Term Notes;

the absence or inclusion of a Survivor's Option and the terms thereof; and

the level, direction and volatility of market interest rates generally.

Also, because we may design some Ally Financial Term Notes for specific investment objectives or strategies, such Ally Financial Term Notes will have a more limited trading market and experience more price volatility than other Ally Financial Term Notes. You should be aware that there may be few investors willing to buy Ally Financial Term Notes at any time that you might decide to sell your Ally Financial Term Notes. This limited market may affect the price you receive for your Ally Financial Term Notes or your ability to sell the Ally Financial Term Notes at all. You should not purchase Ally Financial Term Notes unless you understand, and are able to bear, the investment risks associated with the Ally Financial Term Notes.

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Our ability to redeem the Ally Financial Term Notes at our option may adversely affect your return on the Ally Financial Term Notes.

If your Ally Financial Term Notes are redeemable at our option, we may choose to redeem the Ally Financial Term Notes at times when prevailing interest rates may be lower than the rate borne by the Ally Financial Term Notes. Accordingly, you will not be able to reinvest the redemption proceeds in a comparable security at an interest rate as high as that of the Ally Financial Term Notes being redeemed. If we have the right to redeem your Ally Financial Term Notes, you should consider the related reinvestment risk in light of other investments available to you at the time of your investment in the Ally Financial Term Notes.

If the pricing supplement applicable to a series of Ally Financial Term Notes provides that we have the right to redeem the Ally Financial Term Notes, our ability to redeem the Ally Financial Term Notes at our option is likely to affect the market value of the Ally Financial Term Notes. In particular, as the redemption date or dates approach, the market value of the Ally Financial Term Notes generally will not rise substantially above the redemption price because of the optional redemption feature.

If your Ally Financial Term Notes include the Survivor's Option, your ability to exercise this option will be subject to limitations.

If you hold Ally Financial Term Notes that include the Survivor's Option, the authorized representative of your estate will be able to exercise the Survivor's Option only if at the time of your death you had held the Ally Financial Term Notes for a period of at least six months prior to your death. A request to exercise the Survivor's Option must be made within one year of the death of the beneficial owner of the Ally Financial Term Notes. In addition, the right to exercise the Survivor's Option is subject to limits set by us on (1) the permitted dollar amount of total exercises of the Survivor's Option by all holders of Ally Financial Term Notes in any calendar year and (2) the permitted dollar amount of an individual exercise of the Survivor's Option by the holder of an Ally Financial Term Note in any calendar year.

The Ally Financial Term Notes are subject to laws of the State of New York that limit the amount of interest that can be charged and paid on such an investment. This could limit the amount of interest you may receive on the Ally Financial Term Notes.

The Ally Financial Term Notes will be governed by and construed in accordance with the laws of the State of New York. The State of New York has usury laws that limit the amount of interest that can be charged and paid on loans, which include debt securities like the Ally Financial Term Notes. Under present New York law, the maximum rate of interest, with certain exceptions, for any loan in an amount less than \$250,000 is 16% and for any loan equal to or greater than \$250,000 and less than \$2,500,000 is 25% per annum on a simple interest basis. This limit may not apply to Ally Financial Term Notes in which \$2,500,000 or more has been invested.

While we believe that New York law would be given effect by a state or federal court sitting outside of New York, many other states have laws that regulate the amount of interest that may be charged to and paid by a borrower (including, in some cases, corporate borrowers). It is suggested that prospective investors consult their personal advisors with respect to the applicability of such laws before investing in the Ally Financial Term Notes. We covenant for the benefit of the beneficial owners of the Ally Financial Term Notes, to the extent permitted by law, not to claim voluntarily the benefits of any laws concerning usurious rates of interest against a beneficial owner of the Ally Financial Term Notes.

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DESCRIPTION OF ALLY FINANCIAL INC.

Ally is a leading, independent, globally diversified, financial services firm with operations in 32 countries. Founded in 1919, we are a leading automotive financial services company with over 90 years of experience providing a broad array of financial products and services to automotive dealers and their customers. We also maintain residential mortgage operations in the United States. We became a bank holding company on December 24, 2008, under the Bank Holding Company Act of 1956, as amended. Our banking subsidiary, Ally Bank, is an indirect wholly owned subsidiary of Ally and a leading franchise in the growing direct (online and telephonic) banking market, with \$42.7 billion of deposits at June 30, 2012.

PRINCIPAL EXECUTIVE OFFICES

Our principal executive offices are located at 200 Renaissance Center, Detroit, Michigan 48265, and our telephone number is 866-710-4623.

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RATIO OF EARNINGS TO FIXED CHARGES

Our consolidated ratios of earnings to fixed charges were as follows for the periods presented:

	Six months ended		Year ended December 31,			
	June 30,	2011(a)	2010(a)	2009(a)	2008(a)	2007(a)
	2012(a)					
Ratio of earnings to fixed charges (b)	0.81	0.99	1.16	0.01	1.53	0.90

- (a) During 2011, 2010 and 2009, we committed to sell certain operations of our International Automotive Finance operations, Insurance operations, Mortgage operations, and Commercial Finance Group. We report these businesses separately as discontinued operations in the Condensed Consolidated Financial Statements, which are incorporated by reference into this prospectus. All reported periods of the calculation of the ratio of earnings to fixed charges exclude discontinued operations.
- (b) The ratio indicates a less than one-to-one coverage for the six months ended June 30, 2012, and the years ended December 31, 2011, 2009 and 2007. Earnings for the six months ended June 30, 2012, and the years ended December 31, 2011, 2009 and 2007, were inadequate to cover fixed charges. The deficient amounts for the ratio were \$526 million for the six months ended June 30, 2012, and \$19 million, \$6,918 million and \$1,401 million for the years ended December 31, 2011, 2009 and 2007, respectively.

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USE OF PROCEEDS

We will add the proceeds from the sale of the Ally Financial Term Notes to the general funds of Ally and they will be available for general corporate purposes, which may include the purchase of receivables, the making of loans, the repayment or repurchase of existing indebtedness, the reduction of short-term borrowings or for investment in short-term securities.

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DESCRIPTION OF ALLY FINANCIAL TERM NOTES

The general terms and conditions in this prospectus will apply to each Ally Financial Term Note unless otherwise specified in the applicable pricing supplement and in the Ally Financial Term Note. In the event the terms and conditions in this prospectus conflict with the terms and conditions in the applicable pricing supplement, the terms and conditions of the pricing supplement shall control. It is important for you to consider the information contained in this prospectus and the pricing supplement in making your investment decision.

The statements in this prospectus concerning the Ally Financial Term Notes and the Indenture are a summary of certain provisions of the Indenture and the Ally Financial Term Notes. Other statements in this prospectus concerning the Ally Financial Term Notes, such as the description of the Floating Rate Ally Financial Term Notes, will be established pursuant to a supplemental indenture or set forth in a resolution of our board of directors, as permitted by the Indenture. Such summaries are not complete and you should refer to the provisions in the Indenture, the applicable supplemental indenture or board resolution, and the applicable Ally Financial Term Notes, including the definitions of certain terms therein, which are controlling. The Indenture, the applicable supplemental indenture or board resolution, and the applicable Ally Financial Term Note are each incorporated by reference in this prospectus and the following summary is qualified in its entirety by reference thereto.

General Terms of the Ally Financial Term Notes

Currency

References in this prospectus to U.S. dollars and \$ are to the currency of the United States of America.

Amount

The Ally Financial Term Notes initially will be limited to \$3,000,000,000 aggregate initial offering price, on terms to be determined at the time of sale. While Ally initially is targeting an aggregate principal amount of \$3,000,000,000 of issuances of Ally Financial Term Notes, Ally has registered an indeterminate amount of Ally Financial Term Notes and may issue a greater aggregate principal amount of Ally Financial Term Notes.

Indenture

We will issue the Ally Financial Term Notes under an Indenture dated as of September 24, 1996, as amended by a First Supplemental Indenture dated as of January 1, 1998, a Second Supplemental Indenture dated as of June 30, 2006, and a Third Supplemental Indenture dated as of August 24, 2012 (together, the Indenture) between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A.), as Trustee.

The Indenture does not limit the amount of additional unsecured indebtedness ranking equally and ratably with the Ally Financial Term Notes that we may incur, and we may, from time to time, and without the consent of the holders of the Ally Financial Term Notes, issue additional debt securities, including Ally Financial Term Notes. As permitted by the Indenture, the terms of each series of Ally Financial Term Notes will be established pursuant to a supplemental indenture or in or pursuant to a resolution of our board of directors. We will issue Series A Ally Financial Term Notes in multiple tranches under the Indenture, as supplemented by a Fourth Supplemental Indenture dated as of August 24, 2012 between us and the Trustee, which establishes such Series A.

Ranking

The Ally Financial Term Notes will constitute our unsecured and unsubordinated indebtedness and will rank equally and ratably with all of our other unsecured and unsubordinated indebtedness from time to time outstanding (other than obligations preferred by mandatory provisions of law).

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Maturity

The Ally Financial Term Notes will mature on the Maturity Date (as defined herein), which may be any day nine months to thirty years from the Issue Date (as defined below), as specified in the applicable pricing supplement. The principal amount of the Ally Financial Term Notes will be payable on the Maturity Date at the Corporate Trust Office of The Bank of New York Mellon, 101 Barclay Street, 4E, New York, New York 10286, or at such other place as we may designate. If the Maturity Date of a Note is not a Business Day, the payment due on such day shall be made on the next succeeding Business Day and no interest shall accrue on such payment for the period from and after such Maturity Date.

Interest

Each Ally Financial Term Note will bear interest from the Issue Date at either:

a fixed rate (Fixed Rate Ally Financial Term Notes) set forth in the applicable pricing supplement, which fixed rate may be zero in the case of an Ally Financial Term Note issued at an Issue Price (as defined below) representing a substantial discount from the principal amount payable upon the Maturity Date (a Zero-Coupon Ally Financial Term Note); or

a floating rate or rates determined by reference to one or more Base Rates (as defined below) set forth in the applicable pricing supplement, which floating rate or rates may be adjusted by a Spread and/or Spread Multiplier (each as defined below) (Floating Rate Ally Financial Term Notes).

Denominations

Unless otherwise specified in the applicable pricing supplement, the authorized minimum denominations of the Ally Financial Term Notes will be \$1,000 and integral multiples of \$1,000 above that amount.

Pricing Supplement

Unless otherwise specified in the applicable pricing supplement:

the Ally Financial Term Notes may not be redeemed by us, or repaid at your option, prior to their Maturity Date. See Description of Ally Financial Term Notes Redemption and Repayment;

the Ally Financial Term Notes will not be subject to any sinking fund; and

the amount of any Discount Ally Financial Term Note (as such term is defined in Description of Ally Financial Term Notes Interest and Payments of Principal and Interest Discount Ally Financial Term Notes), including Zero-Coupon Ally Financial Term Notes, payable upon redemption by us, repayment at your option or acceleration of Maturity (as such term is defined in Description of Ally Financial Term Notes Glossary), if applicable for such Discount Ally Financial Term Note, in lieu of the stated principal amount due at the Maturity Date, will be the Amortized Face Amount (as defined below) of such Discount Ally Financial Term Note as of the date of such redemption, repayment or acceleration, as the case may be.

The pricing supplement relating to each Ally Financial Term Note or Ally Financial Term Notes will generally describe the following terms:

whether the Ally Financial Term Note is a Fixed Rate Ally Financial Term Note, a Floating Rate Ally Financial Term Note, a Zero-Coupon Ally Financial Term Note or other Discount Ally Financial Term Note;

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the price at which the Ally Financial Term Note will be issued to the public (the Issue Price);

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the date on which the Ally Financial Term Note will be issued to the public (the Issue Date);

the Maturity Date of the Ally Financial Term Note;

if the Ally Financial Term Note is a Fixed Rate Ally Financial Term Note, the rate per annum at which the Ally Financial Term Note will bear interest, if any (the Interest Rate);

if the Ally Financial Term Note is a Floating Rate Ally Financial Term Note, the Base Rate or Rates, the Initial Interest Rate or formula for determining the Initial Interest Rate, the Interest Reset Period, the Interest Reset Dates, the Interest Payment Period, the Interest Payment Dates, the Index Maturity, the Maximum Interest Rate and the Minimum Interest Rate, if any, and the Spread and/or Spread Multiplier, if any (all as defined herein), and any other terms relating to the method of calculating the Interest Rate for the Ally Financial Term Note;

whether the Ally Financial Term Note may be redeemed at our option, or repaid at your option, prior to its Maturity Date, and if so, the provisions relating to any such redemption or repayment;

whether the authorized representative of the holder of a beneficial interest in the Ally Financial Term Note will have the right to repayment upon the death of the holder as described under Description of Ally Financial Term Notes Repayment upon Death The Survivor's Option ;

the provisions, if any, for the defeasance of the Ally Financial Term Notes of the series;

special U.S. federal income tax consequences of the purchase, ownership and disposition of the Ally Financial Term Notes, if any; and

any other significant terms of the Ally Financial Term Notes not inconsistent with the provisions of the Indenture.

Glossary

You should refer to the Indenture and the form of Ally Financial Term Notes filed as exhibits to the registration statement to which this prospectus relates or to the applicable supplemental indenture or board resolution and the form of the applicable Ally Financial Term Notes when available for the full definition of certain terms applicable to a particular series of Ally Financial Term Notes. We have set forth below a number of definitions of terms used in this prospectus with respect to the Ally Financial Term Notes.

The Amortized Face Amount of a Discount Ally Financial Term Note is the amount equal to:

the Issue Price of a Discount Ally Financial Term Note set forth in the applicable pricing supplement, plus

the portion of the difference between the Issue Price and the principal amount of the Discount Ally Financial Term Note that has accrued at the yield to maturity set forth in the pricing supplement (computed in accordance with generally accepted United States bond yield computation principles) at the date the Amortized Face Amount is calculated, but in no event will the Amortized Face Amount of the Discount Ally Financial Term Note exceed its stated principal amount. See also U.S. Federal Income Tax Consequences OID.

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Business Day with respect to any Ally Financial Term Note means, unless otherwise specified in the applicable pricing supplement, any day, other than a Saturday or Sunday, that is:

not a day on which banking institutions are authorized or required by law, regulation or executive order to be closed in The City of New York; or

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in the case of a London InterBank Offer Rate Ally Financial Term Note (LIBOR Ally Financial Term Notes), a London Banking Day.

Interest Payment Date with respect to any Ally Financial Term Note means the stated maturity of an installment of interest on such Note.

London Banking Day means any day on which dealings in deposits in the Index Currency are transacted in the London interbank market.

Maturity means the date on which the principal of an Ally Financial Term Note or an installment of principal becomes due and payable in full in accordance with its terms and the terms of the Indenture, whether at its Maturity Date (as defined below) or by declaration of acceleration, call for redemption at our option, repayment at your option, or otherwise.

Maturity Date with respect to any Ally Financial Term Note means the stated maturity of such Ally Financial Term Note, as specified on such Ally Financial Term Note.

Regular Record Date with respect to:

any Interest Payment Date for Fixed Rate Ally Financial Term Notes means, unless otherwise specified in the applicable pricing supplement, the first day of the calendar month in which such Interest Payment Date occurs, except that the Regular Record Date with respect to the final Interest Payment Date is the final Interest Payment Date; and

any Interest Payment Date for Ally Financial Term Notes other than Fixed Rate Ally Financial Term Notes means, unless otherwise specified in the applicable pricing supplement, the date, whether or not a Business Day, 15 calendar days prior to the Interest Payment Date.

Interest and Payments of Principal and Interest

General

As the owner of a beneficial interest in an Ally Financial Term Note, you will receive payment in accordance with the procedures of the Depository and its participants, in effect from time to time as described under Description of Ally Financial Term Notes Book-Entry; Delivery and Form.

Unless otherwise specified in the applicable pricing supplement:

All interest payments on a certificated Ally Financial Term Note (other than interest on the Maturity Date) will be made by check and mailed by the Company to the person entitled thereto as listed on the Note Register. Payments of principal, premium, if any, and interest, if any, at the Maturity Date will be made in immediately available funds upon surrender of the Ally Financial Term Note at the office of the Paying Agent, provided that such Ally Financial Term Note is presented to the Paying Agent in time for the Paying Agent to make payments in funds in accordance with its normal procedures;

principal, and premium, if any, and interest, if any, payable at Maturity of an Ally Financial Term Note held in book-entry form will be made by wire transfer in immediately available funds to an account specified by the Depository; and

payments of interest on an Ally Financial Term Note held in book-entry form (other than at Maturity) will be made in same-day funds in accordance with existing arrangements between the Paying Agent and the Depository.

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We will pay any administrative costs imposed by banks for payments in immediately available funds, but you will bear any tax, assessment or governmental charge imposed upon payments, including, without limitation, any withholding tax.

Unless otherwise specified in the applicable pricing supplement, if the principal of any Discount Ally Financial Term Note is declared due and payable immediately as described under *Events of Default*, the amount of principal due and payable is limited to the aggregate principal amount of the Ally Financial Term Note multiplied by the sum (expressed as a percentage of the aggregate principal amount) of its Issue Price and the discount amortized using the *interest method* (computed in accordance with generally accepted accounting principles in effect on the date of declaration) from the Issue Date to the date of declaration. Special considerations applicable to the Ally Financial Term Notes will be set forth in the applicable pricing supplement.

The Interest Payment Dates for Fixed Rate Ally Financial Term Notes are described below under *Fixed Rate Ally Financial Term Notes Interest Periods and Payment Dates*, and the Interest Payment Dates for Floating Rate Ally Financial Term Notes are described below under *Floating Rate Ally Financial Term Notes Interest Payment Dates*.

Fixed Rate Ally Financial Term Notes

Interest Periods and Payment Dates

Each Fixed Rate Ally Financial Term Note will bear interest from and including its Issue Date at the rate per annum set forth on the Ally Financial Term Note and in the applicable pricing supplement until we pay or make available for payment the principal amount of the Ally Financial Term Note in full. Unless otherwise specified in the applicable pricing supplement, we will pay interest on each Ally Financial Term Note (other than a Zero-Coupon Ally Financial Term Note) either monthly, quarterly, semi-annually or annually on each Interest Payment Date and at Maturity (or on the date of redemption or repayment if an Ally Financial Term Note is repurchased or repaid by us prior to Maturity pursuant to mandatory or optional redemption provisions or the *Survivor's Option*). Interest will be payable to the person in whose name an Ally Financial Term Note is registered at the close of business on the Regular Record Date immediately preceding each Interest Payment Date; provided, however, that interest payable at Maturity, on a date of redemption or in connection with the exercise of the *Survivor's Option* will be payable to the person to whom principal shall be payable.

Any payment of principal, premium, if any, or interest, if any, required to be made on a Fixed Rate Ally Financial Term Note on a day which is not a Business Day does not have to be made on that day, but may be made on the next succeeding Business Day with the same force and effect as if made on such day, and no additional interest will accrue as a result of the delayed payment. Unless otherwise specified in the applicable pricing supplement, any interest on Fixed Rate Ally Financial Term Notes will be computed on the basis of a 360-day year of twelve 30-day months. The interest rates that we will agree to pay on newly-issued Ally Financial Term Notes are subject to change without notice by us from time to time, but no such change will affect any Ally Financial Term Notes already issued or as to which an offer to purchase has been accepted by us.

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The Interest Payment Dates for an Ally Financial Term Note that provides for fixed rate interest payments are as follows:

Interest Payments	Interest Payment Dates
Monthly	Fifteenth day of each calendar month (or the next Business Day), commencing in the first succeeding calendar month following the month in which the Ally Financial Term Note is issued.
Quarterly	Fifteenth day of every third month (or the next Business Day), commencing in the third succeeding calendar month following the month in which the Ally Financial Term Note is issued.
Semi-annually	Fifteenth day of every sixth month (or the next Business Day), commencing in the sixth succeeding calendar month following the month in which the Ally Financial Term Note is issued.
Annually	Fifteenth day of every twelfth month (or the next Business Day), commencing in the twelfth succeeding calendar month following the month in which the Ally Financial Term Note is issued.

The Regular Record Date with respect to any Interest Payment Date shall be the first day of the calendar month in which such Interest Payment Date occurs, except that the Regular Record Date with respect to the final Interest Payment Date is the final Interest Payment Date.

Each payment of interest on an Ally Financial Term Note includes accrued interest from and including the Issue Date or from and including the last day in respect of which interest has been paid (or duly provided for), to, but excluding, the relevant Interest Payment Date or the Maturity Date, as the case may be.

Floating Rate Ally Financial Term Notes

Interest Rates

Unless otherwise specified in the applicable pricing supplement, each Floating Rate Ally Financial Term Note will bear interest at a rate determined by an interest rate base (the **Base Rate**), which may be adjusted by a **Spread** and/or a **Spread Multiplier** (each as defined below).

The **Spread** is the number of basis points (one basis point equals one hundredth of a percentage point) to be added to or subtracted from the **Base Rate** applicable to the Floating Rate Ally Financial Term Note.

The **Spread Multiplier** is the percentage of the **Base Rate** applicable to the Floating Rate Ally Financial Term Note used to determine the interest rate on the Floating Rate Ally Financial Term Note.

The **Index Maturity** for any Floating Rate Ally Financial Term Note is the period to maturity of the instrument or obligation from which the **Base Rate** is calculated and will be specified in the applicable pricing supplement.

Each Floating Rate Ally Financial Term Note and the applicable pricing supplement will specify the **Index Maturity** and the **Spread** and/or **Spread Multiplier**, if any.

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We may change the Spread Multiplier, Index Maturity and other variable terms of the Floating Rate Ally Financial Term Notes from time to time, but no change will affect any Ally Financial Term Note already issued or for which we have accepted an offer to purchase.

The applicable pricing supplement will designate one of the following Base Rates for each Floating Rate Ally Financial Term Note:

LIBOR (a LIBOR Ally Financial Term Note);

the Prime Rate (a Prime Rate Ally Financial Term Note);

the Treasury Rate (a Treasury Rate Ally Financial Term Note); or

any other Base Rate or interest rate formula as is set forth in such pricing supplement for such Floating Rate Ally Financial Term Note.

As specified in the applicable pricing supplement, a Floating Rate Ally Financial Term Note may also have:

a ceiling or upper limitation on the interest rate during any Interest Reset Period (Maximum Interest Rate) and/or

a floor or lower limitation on the interest rate during any Interest Reset Period (Minimum Interest Rate).

Interest rates on a Floating Rate Ally Financial Term Note may not be higher than the maximum rate permitted by applicable law, as the same may be modified by United States law of general application. Under present New York law, the maximum rate of interest, with certain exceptions, for any loan in an amount less than \$250,000 is 16% and for any loan equal to or greater than \$250,000 and less than \$2,500,000 is 25% per annum on a simple interest basis. These limits do not apply to loans of \$2,500,000 or more.

Interest Reset Dates

Each Floating Rate Ally Financial Term Note and the applicable pricing supplement will specify if the interest rate on the Floating Rate Ally Financial Term Note will be reset daily, weekly, monthly, quarterly, semi-annually or annually (each an Interest Reset Period) and the date on which the interest rate will be reset (each an Interest Reset Date). Unless otherwise specified in the applicable pricing supplement, the Interest Reset Date will be, in the case of Floating Rate Ally Financial Term Notes that reset:

daily, on each Business Day;

weekly, on the Wednesday of each week; except in the case of Treasury Rate Ally Financial Term Notes, on the Tuesday of each week (except as provided below);

monthly, on the third Wednesday of each month;

quarterly, on the third Wednesday of January, April, July and October;

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semi-annually, on the third Wednesday of the specified two months of each year; and

annually, on the third Wednesday of the specified month.

The interest rate in effect from the Issue Date to the first Interest Reset Date will be the Initial Interest Rate (as defined below).

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If any Interest Reset Date for any Floating Rate Ally Financial Term Note is not a Business Day, the Interest Reset Date will be postponed to the next succeeding Business Day. However, in the case of a LIBOR Ally Financial Term Note, if the next succeeding Business Day falls in the next succeeding calendar month, the Interest Reset Date will be the immediately preceding Business Day. The interest rate or the formula for establishing the interest rate effective for a Floating Rate Ally Financial Term Note from the Issue Date to the first Interest Reset Date (the Initial Interest Rate) will be specified in the applicable pricing supplement.

Interest Payment Dates

Except as provided below, and unless otherwise specified in the applicable pricing supplement, we will pay interest:

in the case of Floating Rate Ally Financial Term Notes with a daily, weekly or monthly Interest Reset Date, daily, on the Wednesday of each week, or on the third Wednesday of each month, respectively, as specified in the applicable pricing supplement;

in the case of Floating Rate Ally Financial Term Notes with a quarterly Interest Reset Date, on the third Wednesday of January, April, July and October;

in the case of Floating Rate Ally Financial Term Notes with a semi-annual Interest Reset Date, on the third Wednesday of the specified two months of each year;

in the case of Floating Rate Ally Financial Term Notes with an annual Interest Reset Date, on the third Wednesday of the specified month; and,

in each case, at Maturity.

Unless otherwise specified in the applicable pricing supplement, if an Interest Payment Date (other than at Maturity) with respect to any Floating Rate Ally Financial Term Note falls on a day that is not a Business Day, the Interest Payment Date will be postponed to the next succeeding Business Day and no interest will accrue as a result of any delayed payment. In the case of LIBOR Ally Financial Term Notes, if the next succeeding Business Day falls in the next succeeding calendar month, the Interest Payment Date will be the immediately preceding Business Day, provided that interest paid on such date shall include interest accrued to, but excluding the original Interest Payment Date, which fell on a day that was not a Business Day. Any payment of principal, premium, if any, and interest, if any, required to be made on a Floating Rate Ally Financial Term Note at Maturity that is not a Business Day will be made on the next succeeding Business Day and no interest will accrue as a result of any delayed payment.

Accrued Interest

Unless otherwise specified in the applicable pricing supplement, we will pay interest on each Interest Payment Date or at Maturity for Floating Rate Ally Financial Term Notes equal to the interest accrued from and including the Issue Date or from and including the last Interest Payment Date to which interest has been paid to, but excluding, the Interest Payment Date or Maturity Date (an Interest Period).

Unless otherwise specified in the applicable pricing supplement, accrued interest on a Floating Rate Ally Financial Term Note will be calculated by multiplying the principal amount of the Floating Rate Ally Financial Term Note by an accrued interest factor. Unless otherwise specified in the applicable pricing supplement, the accrued interest factor will be computed by adding the interest factors calculated for each day in the Interest Period for which accrued interest is being calculated. Unless otherwise specified in the applicable pricing supplement, the interest factor for each day is computed by dividing the interest rate applicable on such day by 360, in the cases of Prime Rate Ally Financial Term Notes and LIBOR Ally Financial Term Notes, or by the actual number of days in the year, in the case of Treasury Rate Ally Financial Term Notes. Except as set forth above, or in the applicable pricing supplement, the interest rate in effect on each day will be:

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if the day is an Interest Reset Date, the interest rate determined as of the Interest Determination Date (as defined below) immediately preceding this Interest Reset Date; or

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if the day is not an Interest Reset Date, the interest rate determined as of the Interest Determination Date immediately preceding the Interest Reset Date (or if none, the Initial Interest Rate).

Rounding

Unless otherwise specified in the applicable pricing supplement, all interest rates on a Floating Rate Ally Financial Term Note will be expressed as a percentage rounded, if necessary, to the nearest one hundred-thousandth of a percent (.000001), with five one-millionths of a percentage point rounded upward (e.g., 9.876545% (or .09876545) would be rounded to 9.87655% (or .0987655)). All U.S. dollar amounts related to interest on Floating Rate Ally Financial Term Notes will be rounded to the nearest cent.

Interest Determination Dates

Unless otherwise specified in the applicable pricing supplement, the Interest Determination Date pertaining to an Interest Reset Date for Prime Rate Ally Financial Term Notes will be the second Business Day preceding the Interest Reset Date; the Interest Determination Date pertaining to an Interest Reset Date for a LIBOR Ally Financial Term Note will be the second London Banking Day preceding the Interest Reset Date; and the Interest Determination Date pertaining to an Interest Reset Date for a Treasury Rate Ally Financial Term Note will be the day of the week in which the Interest Reset Date falls on which direct obligations of the United States (Treasury Bills) of the applicable Index Maturity (as specified on the face of such Treasury Rate Ally Financial Term Note) are auctioned. Treasury Bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that the auction may be held on the preceding Friday. If, as the result of a legal holiday, an auction is held on the preceding Friday, that Friday will be the Interest Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week.

Unless otherwise specified in the applicable pricing supplement, the Calculation Date, where applicable, pertaining to an Interest Determination Date will be the earlier of:

the tenth calendar day after the Interest Determination Date, or, if such day is not a Business Day, the next succeeding Business Day;
or

the Business Day preceding the applicable Interest Payment Date or the Maturity Date.

The applicable pricing supplement shall specify a calculation agent (the Calculation Agent), which may be Ally, with respect to any issue of Floating Rate Ally Financial Term Notes. Upon your request, the Calculation Agent will provide the interest rate then in effect and, if determined, the interest rate that will become effective on the next Interest Reset Date with respect to your Floating Rate Ally Financial Term Note. If at any time the Trustee is not the Calculation Agent, we will notify the Trustee of each determination of the interest rate applicable to any Floating Rate Ally Financial Term Note.

Base Rates on Floating Rate Ally Financial Term Notes

The interest rate in effect with respect to a Floating Rate Ally Financial Term Note from the Issue Date to the first Interest Reset Date will be the Initial Interest Rate that is determined in the manner described in the applicable pricing supplement. The interest rate for each subsequent Interest Reset Date will be determined by the Calculation Agent as follows:

LIBOR Ally Financial Term Notes

LIBOR Ally Financial Term Notes will bear interest at the interest rate (calculated with reference to LIBOR and the Spread and/or the Spread Multiplier, if any, and subject to the Minimum Interest Rate and the Maximum Interest Rate, if any) specified in the LIBOR Ally Financial Term Notes and in the applicable pricing supplement.

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Unless otherwise specified in the applicable pricing supplement, LIBOR means the rate determined by the Calculation Agent in accordance with the following provisions:

with respect to an Interest Determination Date relating to a LIBOR Ally Financial Term Note or any Floating Rate Ally Financial Term Note for which the interest rate is determined with reference to LIBOR, LIBOR will be either (a) if LIBOR Reuters is specified in the applicable pricing supplement, the arithmetic mean of the offered rates (unless the specified Designated LIBOR Page provides only for a single rate, in which case a single rate shall be used) for deposits in the Index Currency having the Index Maturity designated in the applicable pricing supplement, commencing on the second London Banking Day immediately following that Interest Determination Date, that appear on the Designated LIBOR Page specified in the applicable pricing supplement as of 11:00 a.m. London time, on that Interest Determination Date, if at least two offered rates appear (unless only a single rate is required) on the Designated LIBOR Page, or (b) if LIBOR Telerate is specified in the applicable pricing supplement, the rate for deposits in the Index Currency having the Index Maturity designated in the applicable pricing supplement commencing on the second London Banking Day immediately following that Interest Determination Date that appears on the Designated LIBOR Page on Moneyline Telerate or is displayed on the designated LIBOR Page on Bloomberg L.P., as specified in the applicable pricing supplement as of 11:00 a.m. London time, on that Interest Determination Date. If fewer than two offered rates appear, or no rate appears, LIBOR will be determined as if the parties had specified the rate described in the immediately following clause; and

with respect to an Interest Determination Date on which fewer than two offered rates appear, or no rate appears, on the applicable Designated LIBOR Page as specified in the immediately preceding clause, the Calculation Agent will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent, after consultation with us, to provide the Calculation Agent with its offered quotation for deposits in the Index Currency for the period of the Index Maturity designated in the applicable pricing supplement, commencing on the second London Banking Day immediately following the Interest Determination Date, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on the Interest Determination Date and in a principal amount that is representative for a single transaction in the Index Currency in the market at such time. If at least two quotations are provided, LIBOR determined on such Interest Determination Date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, LIBOR determined on the Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., in the applicable Principal Financial Center, on the Interest Determination Date by three major banks in the Principal Financial Center selected by the Calculation Agent, after consultation with us, for loans in the Index Currency to leading European banks, having the Index Maturity designated in the applicable pricing supplement, commencing on the second London Banking Day immediately following the Interest Determination Date, and in a principal amount that is representative for a single transaction in the Index Currency in the market at such time. If the banks selected by the Calculation Agent are not quoting the necessary rates, LIBOR determined on the Interest Determination Date will be LIBOR in effect on the Interest Determination Date.

Index Currency shall be U.S. dollars unless otherwise specified in the applicable pricing supplement as the currency for which LIBOR shall be calculated.

Designated LIBOR Page means either:

if LIBOR Reuters is designated in the applicable pricing supplement, the display on the Reuters Monitor Money Rates Service (or any successor service) for displaying the London interbank rates of major banks for the applicable Index Currency; or

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if LIBOR Telerate is designated in the applicable pricing supplement, the display on Moneyline Telerate (or any successor service) for displaying the London interbank rates of major banks for the applicable Index Currency which may also be displayed on Bloomberg L.P. (or any successor service) at page BBAM1.

If neither LIBOR Reuters nor LIBOR Telerate is specified in the applicable pricing supplement, LIBOR for the applicable Index Currency will be determined as if LIBOR Telerate (and, if the U.S. dollar is the Index Currency, page 3750) had been specified.

Prime Rate Ally Financial Term Notes

Prime Rate Ally Financial Term Notes will bear interest at the rates, calculated with reference to the Prime Rate and the Spread and/or Spread Multiplier, if any, specified in the applicable Prime Rate Ally Financial Term Notes and any applicable pricing supplement.

Prime Rate means:

the rate on the applicable Interest Determination Date as published in H.15(519) under the heading Bank Prime Loan ; or

if the rate referred to in the first clause is not so published by 3:00 p.m., New York City time, on the related Calculation Date, the rate on the applicable Interest Determination Date published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying the applicable rate under the caption Bank Prime Loan ; or

if the rate referred to in the second clause is not so published by 3:00 p.m., New York City time, on the related Calculation Date, the rate calculated by the Calculation Agent as the arithmetic mean of the rates of interest publicly announced by at least four banks that appear on the Reuters Screen US PRIME 1 Page as the particular bank's prime rate or base lending rate as of 11:00 a.m., New York City time, on the applicable Interest Determination Date; or

if fewer than four rates described in the third clause by 3:00 p.m., New York City time, on the related Calculation Date as shown on Reuters Screen US PRIME 1, the rate on the applicable Interest Determination Date calculated by the Calculation Agent as the arithmetic mean of the prime rates or base lending rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on the applicable Interest Determination Date by three major banks, which may include affiliates of the Calculation Agent, in New York City selected by the Calculation Agent; or

if the banks selected by the Calculation Agent are not quoting as mentioned in the fourth clause, the rate in effect on the applicable Interest Determination Date.

H.15 (519) means the weekly statistical release designated as such, or any successor publication published by the Board of Governors of the Federal Reserve System.

H.15 Daily Update means the daily update of H.15 (519) available through the World Wide Web site of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/h15/update> or any successor site or publication.

Reuters Screen US PRIME 1 Page means the display on the Reuter Monitor Money Rates Service or any successor service on the US PRIME 1 Page or other page as may replace the US PRIME 1 Page on such service for the purpose of displaying prime rates or base lending rates of major United States banks.

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Treasury Rate Ally Financial Term Notes

Treasury Rate Ally Financial Term Notes will bear interest at the interest rate (calculated with reference to the Treasury Rate and the Spread and/or the Spread Multiplier, if any, and subject to the Minimum Interest Rate and the Maximum Interest Rate, if any) specified in the Treasury Rate Ally Financial Term Notes and in the applicable pricing supplement.

Unless otherwise specified in the applicable pricing supplement, the Treasury Rate means, with respect to any Interest Determination Date, the rate for the auction held on the Interest Determination Date of direct obligations of the United States (Treasury Bills) having the Index Maturity designated in the applicable pricing supplement, under the heading Investment Rate on the display on Moneyline Telerate (or any successor service) on Page 56 (or any replacement page) (Telerate Page 56) or page 57 (or any replacement page) (Telerate Page 57). If the rate is not published by 3:00 p.m., New York City time on the Calculation Date pertaining to the Interest Determination Date, the rate will be the Bond Equivalent Yield (as defined below) of the rate for Treasury Bills as published in H.15 Daily Update, or another recognized electronic source displaying the rate, under the caption U.S. Government Securities/Treasury Bills/Auction High. If the rate is not published in H.15 Daily Update or another electronic source by 3:00 p.m., New York City time, on the related Calculation Date, the rate will be the Bond Equivalent Yield of the auction rate of the Treasury Bills as announced by the United States Department of the Treasury.

In the event that the results of the auction of Treasury Bills having the applicable Index Maturity designated in the applicable pricing supplement are not announced by 3:00 p.m., New York City time, on the Calculation Date or if no auction is held on the Interest Determination Date, then the Treasury Rate will be the Bond Equivalent Yield of the rate on the Treasury Rate Interest Determination Date of Treasury Bills having the Index Maturity specified in the applicable pricing supplement as published in H.15(519) under the caption U.S. Government Securities/Treasury Bills/Secondary Market . If the rate is not yet published in H.15(519) by 3:00 p.m., New York City time, on the related Calculation Date, the rate will be the rate on the Treasury Rate Interest Determination Date of the Treasury Bills as published in H.15 Daily Update, or another recognized electronics source displaying the rate, under the caption U.S. Government Securities/Treasury Bills/Secondary Market. If the rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source, then the Treasury Rate will be calculated by the Calculation Agent and will be the Bond Equivalent Yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on the Interest Determination Date, of three leading primary United States government securities dealers selected by the Calculation Agent, after consultation with us, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity designated in the applicable pricing supplement. If the dealers selected by the Calculation Agent are not quoting bid rates, the interest rate for the applicable period will be the interest rate in effect on such Interest Determination Date.

Bond Equivalent Yield means a yield (expressed as a percentage) calculated using the following formula:

$$\text{Bond Equivalent Yield} = \frac{D \times N \times 100}{360 - (D \times M)}$$

where D refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis, N refers to 365 or 366, as the case may be, and M refers to the actual number of days in the applicable Interest Reset Period.

Discount Ally Financial Term Notes

If we issue Ally Financial Term Notes at an Issue Price that is less than the principal amount of the Ally Financial Term Notes, we may designate those Ally Financial Term Notes as Discount Ally Financial Term Notes in the applicable pricing supplement. Discount Ally Financial Term Notes may currently pay no interest

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(in the case of a Discount Ally Financial Term Note that is a Zero-Coupon Ally Financial Term Note) or interest at a rate which is below market rates at the time of issuance. Additional considerations relating to Discount Ally Financial Term Notes will be described in the applicable pricing supplement. See also U.S. Federal Income Tax Consequences OID Ally Financial Term Notes for certain U.S. federal income tax consequences of the ownership and disposition of certain Discount Ally Financial Term Notes.

In order to determine if holders of the requisite amount of outstanding Ally Financial Term Notes under the Indenture have made a demand or given a notice or waiver or taken any other action, where a specified percentage of principal amount outstanding is required, the outstanding principal amount of any Discount Ally Financial Term Note will be its Amortized Face Amount.

Redemption and Repayment

Unless otherwise provided in the applicable pricing supplement:

we will not have the option to redeem the Ally Financial Term Notes and the holders will not have the option to require repayment of the Ally Financial Term Notes prior to the Maturity Date;

the Ally Financial Term Notes will not be subject to any sinking fund;

if less than all of the Ally Financial Term Notes with like tenor and terms are to be redeemed, the Ally Financial Term Notes to be redeemed shall be selected by the Trustee by a method that the Trustee deems fair and appropriate, *provided* that if the Ally Financial Term Notes are held in book-entry, such selection shall be made in accordance with the procedures of DTC;

in order for an Ally Financial Term Note which is prepayable at the option of the holder to be prepaid, we must receive between 30 and 45 days notice prior to the repayment date, and the Global Ally Financial Term Note with the form entitled Option to Elect Repayment duly completed; and

the amount of any Discount Ally Financial Term Note payable upon redemption by us, repayment at your option or acceleration of Maturity, in lieu of the stated principal amount due at the Maturity Date, unless otherwise specified in the applicable pricing supplement, will be the Amortized Face Amount of the Discount Ally Financial Term Note as of the date of the redemption, repayment or acceleration.

If applicable, the pricing supplement relating to each Ally Financial Term Note will indicate that the Ally Financial Term Note will be redeemable at our option or repayable at your option on a date or dates specified prior to its Maturity Date and, unless otherwise specified in the pricing supplement, at a price equal to 100% of the principal amount of the Ally Financial Term Note, together with accrued interest to the date of redemption or repayment, unless such Ally Financial Term Note was issued with original issue discount, in which case the pricing supplement will specify the amount payable upon such redemption or repayment.

For a series of Ally Financial Term Notes that are redeemable, such series may be redeemed upon not less than 30 nor more than 60 days notice to holders of such Notes. The Company shall give notice to the Trustee not less than 60 days prior to the date designated for redemption of such series of Ally Financial Term Notes to be redeemed. Except as provided in the applicable pricing supplement, such notice to the Trustee shall be irrevocable. Upon receipt of such notice from the Company, the Trustee shall cause such notice of such redemption to be given to holders of the Notes in accordance with the customary procedures of the Depository.

Exercise of your repayment option, if applicable, is irrevocable. You may not exercise the repayment option except in principal amounts of \$1,000 and multiples of \$1,000. With respect to the Ally Financial Term Notes, the Depository's nominee is the holder of the Ally Financial Term Notes and therefore will be the only entity that can exercise a right to repayment. See Description of Ally Financial Term Notes Book-Entry; Delivery and Form. In order to ensure that the Depository's nominee will timely exercise a right to repayment with respect to

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your beneficial interest in an Ally Financial Term Note, you, as the beneficial owner of the interest, must instruct the broker or other direct or indirect participant through which you hold a beneficial interest in the Ally Financial Term Note to notify the Depository of your desire to exercise a right to repayment. Different firms have different cut-off times for accepting instructions from their customers, and accordingly, you should consult the broker or other direct or indirect participant through which you hold an interest in an Ally Financial Term Note in order to ascertain the cut-off time by which you must give an instruction in order for timely notice to be delivered to the Depository. Conveyance of notices and other communications by the Depository to participants, by participants to indirect participants and by participants and indirect participants to you, as a beneficial owner of the Ally Financial Term Notes will be governed by agreements among you and them, subject to any statutory or regulated requirements as may be in effect from time to time.

If applicable, we will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws or regulations in connection with any repurchase.

We may repurchase Ally Financial Term Notes at any time (including those otherwise tendered for repayment by you or your duly authorized representative pursuant to the Survivor's Option, see Repayment upon Death) at any price or prices in the open market or otherwise. Ally Financial Term Notes purchased by us may, at our discretion, be held or resold or surrendered to the Trustee for cancellation.

Repayment upon Death The Survivor's Option

The Survivor's Option is a provision in certain Ally Financial Term Notes pursuant to which we agree to repay an Ally Financial Term Note in that series, if requested by the authorized representative of the beneficial owner of that Ally Financial Term Note (the Representative) following the death of the beneficial owner of the Ally Financial Term Note, so long as the Ally Financial Term Note was owned by that beneficial owner at least six months prior to his or her death. The pricing supplement relating to each offering of Ally Financial Term Notes will state whether the Survivor's Option applies to those Ally Financial Term Notes.

If an Ally Financial Term Note is entitled to a Survivor's Option, upon the valid exercise of the Survivor's Option and the proper tender of that Ally Financial Term Note for repayment, we will repay that Ally Financial Term Note, in whole or in part, at a price equal to 100% of the principal amount of the deceased beneficial owner's interest in that Ally Financial Term Note plus unpaid interest accrued to the date of repayment (or at a price equal to the Amortized Face Amount for Discount Ally Financial Term Notes and Zero-Coupon Ally Financial Term Notes on the date of such repayment).

To be valid, within one year of the date of death of the deceased beneficial owner, the Survivor's Option must be exercised by or on behalf of the person who has authority to act on behalf of the deceased beneficial owner of the Ally Financial Term Note (including, without limitation, the personal representative or executor of the deceased beneficial owner or the surviving joint owner with the deceased beneficial owner) under the laws of the applicable jurisdiction.

The death of a person holding a beneficial ownership interest in an Ally Financial Term Note as a joint tenant or tenant by the entirety with another person, or as a tenant in common with the deceased holder's spouse, will be deemed the death of a beneficial owner of that Ally Financial Term Note, and the entire principal amount of the Ally Financial Term Note so held will be subject to repayment, together with interest accrued thereon to the repayment date. However, the death of a person holding a beneficial ownership interest in an Ally Financial Term Note as tenant in common with a person other than such deceased holder's spouse will be deemed the death of a beneficial owner only with respect to such deceased person's interest in the Ally Financial Term Note. The death of a person who, during his or her lifetime, was entitled to substantially all of the beneficial interests of ownership of an Ally Financial Term Note, will be deemed the death of the holder thereof for purposes of this provision, regardless of the registered holder, if such beneficial interest can be established to the satisfaction of the Trustee. Such beneficial interest will be deemed to exist in typical cases of nominee ownership, ownership under the Uniform Gifts to Minors Act, community property or other joint ownership arrangements between a

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husband and wife and trust arrangements, such as revocable trusts, where one person has substantially all of the beneficial ownership interest in the Ally Financial Term Note during his or her lifetime and the trust has the same social security number as the deceased. For purposes of clarification, trustees of trusts originally established as irrevocable trusts are not eligible to exercise the Survivor's Option nor may the Survivor's Option be exercised where Ally Financial Term Notes have been transferred from the estate of the deceased owner by operation of a Transfer on Death. Other than as specifically described in this paragraph, no person other than a Representative of the deceased beneficial owner can exercise the Survivor's Option.

We may, in our sole discretion, limit the aggregate principal amount of Ally Financial Term Notes as to which exercises of the Survivor's Option will be accepted by us from authorized representatives of all deceased beneficial owners in any calendar year (the Annual Put Limitation) to two percent (2%) of the outstanding aggregate principal amount of the Ally Financial Term Notes as of the end of the most recent fiscal year, but not less than \$1,000,000 in any such calendar year, or such greater amount as we in our sole discretion may determine for any calendar year, and may limit to \$250,000, or such greater amount as we in our sole discretion may determine for any calendar year, the aggregate principal amount of Ally Financial Term Notes (or portions thereof) as to which exercise of the Survivor's Option will be accepted by us from the authorized representative of any individual deceased beneficial owner of Ally Financial Term Notes in the calendar year (the Individual Put Limitation). Moreover, we will not make principal repayments or purchases pursuant to the exercise of the Survivor's Option in amounts that are less than \$1,000, and, in the event that the limitations described in the preceding sentence would result in the partial repayment or purchase of any Ally Financial Term Note, the principal amount of such Ally Financial Term Note remaining outstanding after repayment must be at least \$1,000 (the minimum authorized denomination of the Ally Financial Term Notes). Any Ally Financial Term Note (or portion thereof) tendered pursuant to exercise of the Survivor's Option may be withdrawn by a written request by the representative of the deceased owner received at least 10 calendar days prior to the repayment date of the Ally Financial Term Note.

Each Ally Financial Term Note (or portion of an Ally Financial Term Note) that is tendered pursuant to a valid exercise of the Survivor's Option will be accepted promptly in the order in which such Ally Financial Term Notes are tendered, except for any Ally Financial Term Note (or portion of an Ally Financial Term Note) the acceptance of which would contravene (i) the Annual Put Limitation or (ii) the Individual Put Limitation with respect to the relevant individual deceased beneficial owner of the Ally Financial Term Notes. If, as of the end of any calendar year, the aggregate principal amount of Ally Financial Term Notes (or portions of an Ally Financial Term Note) that have been accepted pursuant to exercises of the Survivor's Option during such year has not exceeded the Annual Put Limitation for the year, any exercise(s) of the Survivor's Option with respect to Ally Financial Term Notes (or portions of an Ally Financial Term Note) not accepted during the calendar year because acceptance would have contravened the Individual Put Limitation with respect to an individual beneficial deceased owner of Ally Financial Term Notes will be accepted in the order in which all such Ally Financial Term Notes (or portions of an Ally Financial Term Note) were tendered, to the extent that any such exercise would not trigger the Annual Put Limitation for the calendar year. Any Ally Financial Term Note (or portion of an Ally Financial Term Note) accepted for repayment pursuant to exercise of the Survivor's Option will be repaid on the repayment date, which shall be the first Interest Payment Date that occurs 20 or more calendar days after the date of acceptance or, if earlier, on the maturity date for such Ally Financial Term Note. Each Ally Financial Term Note (or any portion of an Ally Financial Term Note) tendered for repayment that is not accepted in any calendar year due to the Annual Put Limitation, including Ally Financial Term Notes that exceeded the Individual Put Limitation, will be deemed to be tendered in the following calendar year in the order in which all such Ally Financial Term Notes (or portions of an Ally Financial Term Note) were originally tendered, unless any Ally Financial Term Note (or portion of an Ally Financial Term Note) is withdrawn by the Representative for the deceased owner at least 10 calendar days prior to the repayment date for such Ally Financial Term Note. In the event that an Ally Financial Term Note (or any portion of an Ally Financial Term Note) tendered for repayment pursuant to a valid exercise of the Survivor's Option is not accepted, the Trustee will deliver a notice by first-class mail to the authorized Representative of the deceased beneficial owner that states the reason the Ally Financial Term Note (or portion of an Ally Financial Term Note) has not been accepted for payment.

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Subject to the foregoing, in order for a Survivor's Option to be validly exercised with respect to any Ally Financial Term Note (or portion thereof), the Trustee must receive from the Representative of the deceased beneficial owner within one year of the date of death of the beneficial owner:

- (1) an original written request for repayment signed by the Representative of the deceased beneficial owner, and the signature must be medallion guaranteed by a member firm of a registered national securities exchange or of the Financial Industry Regulatory Authority (FINRA) or a commercial bank or trust company having an office or correspondent in the United States;
- (2) tender of the Ally Financial Term Note (or portion of the Ally Financial Term Note) to be repaid;
- (3) appropriate evidence satisfactory to the Trustee and the Company that (a) the Representative has authority to act on behalf of the deceased beneficial owner, (b) the death of the beneficial owner has occurred (i.e., an original death certificate), (c) the deceased was the beneficial owner of the Ally Financial Term Note at the time of death and that the Ally Financial Term Note was owned by the deceased beneficial owner at least six months prior to the death of such beneficial owner (i.e., a brokerage account statement) and (d) the Ally Financial Term Note is owned at the time of exercise of the Survivor's Option by the estate of the deceased beneficial owner or other person otherwise eligible to exercise such Survivor's Option (i.e., a brokerage account statement);
- (4) if applicable, a properly executed assignment or endorsement;
- (5) if the beneficial interest in the Ally Financial Term Note is held by a nominee of the deceased beneficial owner, a certificate satisfactory to the Trustee and the Company from such nominee attesting to the deceased's beneficial ownership of the Ally Financial Term Note;
- (6) tax waivers and any other instrument or documents that the Trustee and the Company reasonably requires in order to establish the validity of the beneficial ownership of the Ally Financial Term Note and the claimant's entitlement to payment; and
- (7) any additional information the Trustee and the Company reasonably requires to evidence satisfaction of any conditions to the exercise of the Survivor's Option or to document beneficial ownership or authority to make the election and to cause the repayment of the Ally Financial Term Note.

Subject to our right to limit the aggregate principal amount of Ally Financial Term Notes as to which exercises of the Survivor's Option will be accepted in any one calendar year, all questions as to the eligibility or validity of any exercise of the Survivor's Option will be determined by the Trustee and the Company, in their sole discretion, which determination will be final and binding on all parties.

In the case of repayment pursuant to the exercise of the Survivor's Option, for Ally Financial Term Notes represented by a Global Ally Financial Term Note, the Depository or its nominee will be the holder of the Ally Financial Term Note and will be the only entity that can exercise the Survivor's Option for the Ally Financial Term Note. To obtain repayment pursuant to exercise of the Survivor's Option with respect to the Ally Financial Term Note, the Representative must provide to the broker or other entity through which the beneficial interest in the Ally Financial Term Note is held by the deceased owner within one year of the date of death of the beneficial owner of the Ally Financial Term Note:

- (1) the documents described in clauses (1), (3), (5), (6) and (7) of the third preceding paragraph; and
- (2) instructions to such broker or other entity to notify the Depository of the Representative's desire to obtain repayment pursuant to exercise of the Survivor's Option.

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Such broker or other entity will provide to the Trustee:

- (1) the documents received from the Representative referred to in clause (1) of the preceding paragraph;
- (2) a certificate satisfactory to the Trustee from such broker or other entity stating that it represents the deceased beneficial owner;
- (3) a detailed description of the Ally Financial Term Note, including CUSIP, interest rate, if any, Maturity Date; and
- (4) the deceased's social security number.

The broker or other entity will be responsible for disbursing any payments it receives pursuant to exercise of the Survivor's Option to the appropriate Representative. See Description of Ally Financial Term Notes Book-Entry; Delivery and Form.

A Representative may obtain the forms used to exercise the Survivor's Option from The Bank of New York Mellon, Survivor Options Processing - 9th floor, 2001 Bryan Street, Dallas, Texas 75201 or call (800) 254-2826, during normal business hours.

Eligibility for Stripping

Certain issues of Ally Financial Term Notes designated by us (the Eligible Ally Financial Term Notes) will be eligible to be separated (stripped) into their separate Interest Components and Principal Components (each as defined below) on the book-entry system of the Depository. The components of an Eligible Ally Financial Term Note are:

each future interest payment due on or prior to the Maturity Date or, if the Eligible Ally Financial Term Note is subject to redemption or principal repayment prior to the Maturity Date, the first date on which the Eligible Ally Financial Term Note is subject to redemption or repayment (in either case, the Cut-off Date) (each, an Interest Component); and

the principal payment plus any interest payments due after the Cut-off Date (the Principal Component).

Each Interest Component and Principal Component (each a Component) will receive a CUSIP number.

An issue of Ally Financial Term Notes that the Depository is capable of stripping on its book-entry records may be designated by us as eligible to be stripped into Components at the time of original issuance of such Ally Financial Term Notes. We are under no obligation, however, to designate any issue of Ally Financial Term Notes as eligible to be stripped into Components.

For an Eligible Ally Financial Term Note to be stripped into Components, the principal amount of the Eligible Ally Financial Term Note must be in an amount that, based on the stated interest rate of the Eligible Ally Financial Term Note, will produce an interest payment of \$1,000 or an integral multiple thereof on each Interest Payment Date for the Ally Financial Term Note.

In some cases, certain Interest Components of two or more issues of Ally Financial Term Notes may be due on the same day. Such Interest Components may have the same or different CUSIP numbers. We expect that most Interest Components due on the same day (regardless of Ally Financial Term Note issue) will have the same CUSIP number. However, we may designate Interest Components from an issue of Ally Financial Term

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Notes to receive CUSIP numbers different than the CUSIP numbers of Interest Components due on the same day from one or more other issues of Ally Financial Term Notes. We also may designate at any time that any or all Interest Components of issues of Ally Financial Term Notes originally issued on or after a specified time will have CUSIP numbers different than Interest Components of issues of Ally Financial Term Notes originally issued prior to that time.

The Components may be maintained and transferred on the book-entry system of DTC in integral multiples of \$1,000. Payments on Components will be made in U.S. dollars on the applicable payment dates (or the succeeding Business Day if payment on the related Ally Financial Term Note is made on such succeeding Business Day as defined in *Description of Ally Financial Term Notes Glossary*) by credit of the payment amount to DTC or its nominee, as the case may be, as the registered owner of a Component. We expect that we will credit the accounts of the related participants for payment amounts in the same manner as for Ally Financial Term Notes represented by a Global Ally Financial Term Note as set forth in *Description of Ally Financial Term Notes Book-Entry; Delivery and Form*.

If any modification, amendment or supplement of the terms of an issue of Ally Financial Term Notes requires any consent of holders of Ally Financial Term Notes, the consent with respect to Ally Financial Term Notes that have been stripped is to be provided by the required percentage of the holders of Principal Components. See *Modification of the Indenture*. Holders of Interest Components will have no right to give or withhold such consent.

Currently, at the request of a holder of a Principal Component and all applicable unmatured Interest Components and on the Component holder's payment of a fee (presently the Depository's fee applicable to on-line book-entry securities transfers), the Depository will restore (reconstitute) the Principal Components of a stripped Ally Financial Term Note and the applicable unmatured Interest Components (all in appropriate amounts) to the Ally Financial Term Note in fully constituted form. Generally, for purposes of reconstituting an Ally Financial Term Note, the Principal Component of an issue of Ally Financial Term Notes may be combined with either Interest Components of such issue or Interest Components, if any, from other issues of Ally Financial Term Notes that have the same CUSIP numbers as the unmatured Interest Components of such issue. Component holders wishing to reconstitute Components into an Ally Financial Term Note also must comply with all applicable requirements and procedures of the Depository relating to the stripping and reconstitution of securities.

The preceding discussion is based on our understanding of the manner in which the Depository currently strips and reconstitutes eligible securities on its Fed Book-Entry System. The Depository may cease stripping or reconstituting Eligible Ally Financial Term Notes or may change the manner in which this is done or the requirements, procedures or charges therefor at any time without notice.

Certain Covenants

Limitation on Liens

The Ally Financial Term Notes are not secured by a mortgage, pledge or other lien. So long as any of the Ally Financial Term Notes remain outstanding, we have agreed not to pledge or otherwise subject our property or assets to any lien unless the Ally Financial Term Notes are secured by such pledge or lien equally and ratably with any and all other obligations and indebtedness secured thereby so long as any such other obligations and indebtedness shall be so secured. This covenant does not apply to:

the pledge of any assets to secure any financing by Ally of the exporting of goods to or between, or the marketing thereof in, foreign countries (other than Canada), in connection with which Ally reserves the right, in accordance with customary and established banking practice, to deposit, or otherwise subject to a lien, cash, securities or receivables, for the purpose of securing banking accommodations or as to the basis for the issuance of bankers' acceptances or in aid of other similar borrowing arrangements;

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the pledge of receivables payable in foreign currencies (other than Canadian dollars) to secure borrowings in foreign countries (other than Canada);

any deposit of assets of Ally with any surety company or clerk of any court, or in escrow, as collateral in connection with, or in lieu of, any bond on appeal by Ally from any judgment or decree against it, or in connection with other proceedings in actions at law or in equity by or against Ally;

any lien or charge on any property, tangible or intangible, real or personal, existing at the time of acquisition of such property (including acquisition through merger or consolidation) or given to secure the payment of all or any part of the purchase price thereof or to secure any indebtedness incurred prior to, at the time of, or within 60 days after, the acquisition thereof for the purpose of financing all or any part of the purchase price thereof; and

any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any lien, charge or pledge referred to in the foregoing four clauses of this paragraph; provided, however, that the amount of any and all obligations and indebtedness secured thereby shall not exceed the amount thereof so secured immediately prior to the time of such extension, renewal or replacement and that such extension, renewal or replacement shall be limited to all or a part of the property which secured the charge or lien so extended, renewed or replaced (plus improvements on such property).

Merger and Consolidation

The Indenture provides that Ally will not merge or consolidate with another corporation or sell or convey all or substantially all of Ally's assets to any person unless either Ally is the continuing corporation or the new corporation shall expressly assume the interest and principal due under the Ally Financial Term Notes. In either case, the Indenture provides that neither we nor a successor corporation may be in default of performance immediately after such merger or consolidation or sale or conveyance. Additionally, the Indenture provides that in the case of any such merger or consolidation, or sale or conveyance, either we or the successor company, as applicable, may continue to issue Ally Financial Term Notes under the Indenture.

Modification of the Indenture

The Indenture contains provisions permitting Ally and the Trustee to modify or amend the Indenture or any supplemental indenture or the rights of the holders of the Ally Financial Term Notes issued, with the consent of the holders of 66²/₃% in aggregate principal amount of the Ally Financial Term Notes which are affected by such modification or amendment, voting as one class, provided that no such modification shall:

change the fixed maturity of any Ally Financial Term Note, or reduce its principal amount or any premium, or reduce its rate or extend the time of payment of interest, without the consent of the holder of each affected Ally Financial Term Note;

impair the right to institute enforcement of any such payment on or after the stated maturity thereof (or in the case of a redemption, on or after the redemption date thereof); or

reduce the aforesaid percentage of Ally Financial Term Notes the consent of the holders of which is required for such modification, or the percentage required for the consent of the holders to waive defaults, without the consent of the holders of each Ally Financial Term Note so affected.

The Indenture contains provisions permitting Ally and the Trustee to enter into indentures supplemental to the Indenture, without the consent of the holders of the Ally Financial Term Notes at the time outstanding, for one or more of the following purposes, including:

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to evidence the succession of another corporation to Ally, or successive succession, and the assumption by any successor corporation of certain covenants, agreements and obligations;

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to add to the covenants such further covenants, restrictions, conditions or provisions as Ally's board of directors and the Trustee shall consider to be for the protection of the holders of Ally Financial Term Notes;

to permit or facilitate the issuance of Ally Financial Term Notes in coupon form, registrable or not registrable as to principal, and to provide for exchangeability of such securities with securities issued thereunder in fully registered form;

to cure any ambiguity or to correct or supplement any provision contained therein or in any supplemental indenture which may be defective or inconsistent with any other provision contained therein or in any supplemental indenture; to convey, transfer, assign, mortgage or pledge any property to or with the Trustee; or to make such other provisions in regard to matters or questions arising under the Indenture as shall not adversely affect the interests of the holders of any Ally Financial Term Notes; or

to evidence and provide for the acceptance and appointment by a successor trustee.

Events of Default

An Event of Default with respect to a particular series of Ally Financial Term Notes is defined in the Indenture as a:

default in payment of any principal of, or premium, if any, on any Ally Financial Term Notes of such series;

default for 30 days in payment of any interest on any of the Ally Financial Term Notes of such series;

default in the performance of any other covenant in the Indenture or the Ally Financial Term Notes of such series for 30 days after notice by the Trustee or the holders of at least 25% in aggregate principal amount of the Ally Financial Term Notes of such series then outstanding; or

certain events of bankruptcy, insolvency or reorganization.

In case any of the first, second or third Events of Default above sha="1">

Mitchell I. Sonkin

675,000	Feb 15, 2007	18,347 18,347	1,300,000 Aug 3, 2007	19,673	1,000,000 Dec 20, 2007
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Clifford D. Corso

675,000	Feb 15, 2007	22,227 22,227	1,575,000 Dec 20, 2007	2,725 31.00
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Kevin D. Silva

562,500	Feb 15, 2007	14,550 14,550	1,031,000 Dec 20, 2007	2,725 31.00
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Joseph W. Brown

Neil G. Budnick

Apr 30, 2007	23,396	1,627,431
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- (1) The equity grant date in each case is the date the Board or Compensation Committee approved the equity award.
- (2) As described in the Compensation Discussion and Analysis, the Compensation Committee approved target bonus opportunities under the Company's Annual Incentive Plan expressed as a percentage of salary for our named executives for 2007. Bonus amounts up to target could have been paid for maximum performance based upon the achievement of Company, business unit and individual performance objectives. The bonus amounts shown reflect the 2007 target bonus opportunities and do not reflect the actual bonuses paid to the named executives for 2007. Actual bonuses were paid for 2007 at 40% of target, and are reported in the Summary Compensation Table under the Non-Equity Incentive Compensation column.
- (3) The amounts shown for Messrs. Dunton, Chaplin, Sonkin, Corso and Silva represent the value of performance-based long-term incentive awards (i.e., MBV restricted stock) granted under the Company's Omnibus Incentive Plan on February 15, 2007 for the 2006 performance year (performance period is December 31, 2006 through December 31, 2009). MBV restricted stock awards vest three years after grant date, with the number of shares that vest depending on MBV growth over the three year performance period. If MBV grows 30% or more over the three-year period, then 100% of the stock will vest. If growth is less than 30%, the number of shares that will vest will be adjusted downward. MBV restricted stock awards are granted at the maximum number of shares that will vest. Dividends are paid on all restricted stock at the same rate payable to shareholders from the date of grant.
- (4) Mr. Sonkin received a special restricted stock award under the Company's Omnibus Incentive Plan at mid-year in recognition of his performance. This award will vest 50% on the second anniversary of the grant date with the remaining 50% vesting on the fourth anniversary of the grant date. With respect to Mr. Budnick and in connection with his retirement in 2007, he was awarded a vested stock unit grant pursuant to the Retirement Program term as described in the Post-Termination section of this proxy.
- (5) On December 20, 2007, the Compensation Committee awarded Messrs. Dunton, Chaplin, Sonkin, Corso and Silva stock options under the Company's Omnibus Incentive Plan with an exercise price of \$31.00 per share (a 3% premium of the share price on the date of grant) in order to facilitate each such officer's ability to satisfy a commitment to purchase a specified dollar amount of stock entered into to induce Warburg Pincus to enter into the Investment Agreement with Company. The options were fully vested at grant and were to expire within 60 days following the closing of Warburg Pincus's investment (March 30, 2008). In part due to the fact that Warburg Pincus was able to effect an additional purchase of common stock from the Company at \$12.15 per share as part of the Company's secondary offering, Warburg agreed to allow the executives to fulfill this commitment by buying shares on the open-market at no less than \$12.15 per share. As this eliminated the need for the Company to sell the requisite amount of stock to the executives, these options were all cancelled in March 2008.
- (6) The amounts shown reflect the grant fair values of each of the equity awards listed in the table as determined in accordance with FAS 123R, except that no discount has been taken with respect to any service vesting award in respect of the risk that such award could be forfeited.

MBIA INC.

OUTSTANDING EQUITY AWARDS AS OF DECEMBER 31, 2007

Name (a)	Option Awards				Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(j)(2)	
	Number of Securities Underlying Unexercised Options Exercisable (#)(b)	Number of Securities Underlying Unexercised Options Unexercisable (#)(c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)(d)	Option Exercise Price (\$)(e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#)(g)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(h)(1)		Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(i)
Gary C. Dunton	75,000			43.00	Jan 9, 2008				
	24,000			42.50	Dec 9, 2008				
	300,000			45.25	Jan 7, 2009				
	110,655			32.54	Dec 9, 2009				
	112,500			44.63	Jan 11, 2011				
	200,000			52.81	Feb 7, 2012				
	200,000			36.69	Feb 12, 2013				
				64.84	Feb 10, 2014				
		200,000(6)	200,000(5)	58.84	Feb 16, 2015				
	40,000(7)			31.00	March 30, 2008				
						28,532(8)	531,551	35,690(9)	0
						30,262(10)	563,781	97,252(11)	0
								74,090(12)	0
C. Edward Chaplin	2,725(7)	37,500(13)		57.51	June 26, 2016				
				31.00	March 30, 2008				
						31,299(14)	583,101	5,000(15)	0
								7,500(16)	0
								20,181(12)	0
Mitchell I. Sonkin	12,000	75,000(17)		62.47	Mar. 29, 2014				

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	2,725(7)	18,000(18)	58.84	Feb. 16, 2015					
			31.00	March 30, 2008	5,026(19)	93,634	7,478(9)	0	
					19,673(20)	366,508	16,753(11)	0	
							18,347(12)	0	
Clifford D. Corso (3)	3,015		42.50	Dec. 9, 2008					
	2,712		32.54	Dec. 9, 2009					
	6,345		48.58	Dec. 12, 2010					
	7,000		52.81	Feb. 7, 2012					
	5,600	1,400(21)	36.69	Feb. 12, 2013					
	4,200	2,800(22)	64.84	Feb. 10, 2014					
	0	60,000(23)	55.60	June 9, 2014					
	12,000	18,000(18)	58.84	Feb. 16, 2015					
	2,725(7)		31.00	March 30, 2008	4,000(8)	74,520	7,988(9)	0	
							22,617(11)	0	
							22,227(12)	0	
Kevin D. Silva	30,000		42.50	Dec. 9, 2008					
	11,730		42.50	Dec. 9, 2008					
	112,500		45.25	Jan. 7, 2009					
	32,280		32.54	Dec. 9, 2009					
	30,000		44.63	Jan. 11, 2011					
	30,000		52.81	Feb. 7, 2012					
	24,000	6,000(21)	36.69	Feb 12, 2013					
	18,000	12,000(22)	64.84	Feb. 10, 2014					
	12,000	18,000(18)	58.84	Feb 16, 2015					
	2,725(7)		31.00	March 30, 2008	3,210(8)	59,802	7,988(9)	0	
							16,753(11)	0	
							14,550(12)	0	
Joseph W. Brown (4)	1,200,000		45.25	Jan. 7, 2009					
	246,000		32.54	Dec. 9, 2009					
	375,000		44.63	Jan. 11, 2011					

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	375,000		52.81	Feb. 7, 2012					
	304,000		36.69	Feb. 12, 2013					
Neil G. Budnick				N.A.	23,396(24)	435,867	21,244(25)		0
							40,208(26)		0

- (1) For time-based stock awards, the amounts shown are based on \$18.63 per share, the closing fair market value of the shares on December 31, 2007.
- (2) For the performance-based MBV restricted stock awards, there is no value shown in the table. Based on MBV growth calculations determined at December 31, 2007, no portion of any of the outstanding MBV restricted stock awards would be earned because the minimum required MBV growth had not been met due to the mark to market results in 2007. The vesting terms of these awards are as follows. The number of shares that will vest at the end of the three-year vesting period will depend on growth in MBV over the three-year period, but cannot exceed the number of shares granted. If MBV grows by 30% or more over the three-year period, then 100% of the MBV Restricted Stock will vest. If MBV growth over the three-year period is lower than 30%, the number of shares of MBV Restricted Stock that will vest at the end of the three-year period will be adjusted downward in proportion to the amount by which actual growth in MBV over the three-year period is below 30%. If MBV growth is flat or negative, no portion of the MBV restricted stock awards will vest.
- (3) On December 11, 2007, Mr., Corso forfeited 2,670 stock options with an exercise price of \$42.79. These options expired underwater.
- (4) On February 16, 2008, the board re-employed Mr. Brown as Chairman, President and CEO. In connection with his re-employment, Mr. Brown will receive one-time restricted stock awards that are subject to shareholder approval in May 2008. Mr. Brown's outstanding stock options as shown were cancelled in connection with his execution of his restricted stock award agreement. For additional information, see the discussion of this award under the heading, Compensation Decisions for Mr. Jay Brown in the Compensation Discussion and Analysis, and the discussion of Proposal No. 3, entitled Approval of Restricted Stock Awards to Joseph W. Brown. In addition, in connection with his appointment as Chief Executive Officer, Mr. Brown was granted a short-term stock option (expiring June 30, 2008) to purchase 359,000 shares of common stock at \$12.15 per share.
- (5) Stock options vest on the last day of a period of ten consecutive trading days in which MBIA shares have traded at least \$90 at any point during each trading day. If the trading target is not met, options will fully vest on February 10, 2013.
- (6) Stock options vest on February 16, 2010.
- (7) On December 20, 2007, the Compensation Committee awarded Messrs. Dunton, Chaplin, Sonkin, Corso and Silva stock options with an exercise price of \$31.00 per share in connection with the Warburg Pincus Investment Agreement. The options were fully vested at grant and were to expire within 60 days following the closing of Warburg Pincus's initial investment under the Investment Agreement with the Company. These options were subsequently cancelled in March 2008.
- (8) Restricted stock vests on February 10, 2008.
- (9) MBV restricted stock granted in 2005, which would have vested on February 16, 2008 had the applicable performance vesting conditions been satisfied, in whole or in part. As these conditions were not satisfied, all of these shares of MBV restricted stock were forfeited in 2008 upon the Compensation Committee's certification of the performance results.
- (10) Restricted stock vests on February 16, 2009.
- (11) MBV restricted stock that may vest on February 27, 2009, subject to the same MBV growth and vesting terms as described in footnote (2).
- (12) MBV restricted stock that may vest on February 15, 2010, subject to the same MBV growth and vesting terms as described in footnote (2).
- (13) Stock options vest on June 26, 2011.
- (14) Restricted stock was granted on June 26, 2006 with 50% vesting on the second anniversary of the grant date and the remaining 50% vesting on the fourth anniversary of the grant date.
- (15) MBV restricted stock granted in 2005 that would have vested on February 16, 2008 had the applicable performance vesting conditions been satisfied, in whole or in part. As these conditions were not satisfied, all of these shares of MBV restricted stock were forfeited in 2008 upon the Compensation Committee's certification of the performance results.
- (16) MBV restricted stock that may vest on February 27, 2009. This grant was made in connection with Mr. Chaplin's hire and is subject to the same MBV growth and vesting terms as described in footnote (2).
- (17) Stock options will fully vest on March 29, 2009.
- (18) Stock options will fully vest on February 16, 2010 with gradual vesting as follows: 40% of the options shall become exercisable on the second anniversary of the grant date and the remaining 60% of the options shall become exercisable in equal 20% installments on each of the third, fourth and fifth anniversaries of the grant date.
- (19) Restricted stock vests on February 27, 2010.
- (20) Restricted stock was granted on August 3, 2007 with 50% vesting on the second anniversary of the grant date and the remaining 50% vesting on the fourth anniversary of the grant date.
- (21) Stock options will fully vest on February 12, 2008 with gradual vesting as follows: 40% of the options shall become exercisable on the second anniversary of the grant date and the remaining 60% of the options shall become exercisable in equal 20% installments on each of the third, fourth and fifth anniversaries of the grant date.
- (22) Stock options will fully vest on February 10, 2009 with gradual vesting as follows: 40% of the options shall become exercisable on the second anniversary of the grant date and the remaining 60% of the options shall become exercisable in equal 20% installments on each of the third, fourth and fifth anniversaries of the grant date.
- (23) Stock options will fully vest on June 9, 2009.
- (24) Restricted stock units vest on April 30, 2010. In connection with his retirement, Mr. Budnick was awarded vested Restricted Stock Units under the Company's Retirement Program (described in the Post Termination section).
- (25) MBV restricted stock granted in 2005 that would have vested on February 16, 2008 had the applicable performance vesting conditions been satisfied, in whole or in part. As these conditions were not satisfied, all of these shares of MBV restricted stock were forfeited in 2008 upon the Compensation Committee's certification of the performance results.
- (26) MBV restricted stock that may vest on February 27, 2009. In connection with his retirement, Mr. Budnick's MBV restricted stock awards continue to vest in accordance with the original MBV growth and vesting terms as described in footnote (2).

MBIA INC.

OPTION EXERCISES AND STOCK VESTED IN 2007

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#) (b) (1)	Value Realized on Exercise (\$) (c) (2)	Number of Shares Acquired on Vesting (#) (d) (3)	Value Realized on Vesting (\$) (e) (4)
(a) Gary C. Dunton	0	0	157,775	10,077,641
C. Edward Chaplin	0	0	0	0
Mitchell I. Sonkin	0	0	0	0
Clifford D. Corso	0	0	0	0
Kevin D. Silva	0	0	7,059	488,130
Joseph W. Brown	0	0	327,000	20,434,230
Neil G. Budnick	658,860	13,491,398	76,585	5,321,154

- (1) There were no option exercises in 2007 from the named executives except for Mr. Budnick, who exercised options in 2007 prior to and in connection with his retirement.
- (2) The value shown is equal to the closing share price on the date of exercise, less the exercise price, times the number of shares acquired.
- (3) Messrs. Dunton, Silva and Budnick had restricted shares that vested on February 12, 2007, upon the completion of the restriction period. Messrs. Dunton and Brown had performance-based restricted shares that vested on August 8, 2007 because a target 50% growth in MBV was achieved on that date. Mr. Budnick also had restricted shares that vested on April 30, 2007 in connection with his retirement.
- (4) The value of stock awards upon vesting is equal to the number of shares vested times the closing share price on the date of vesting.

MBIA INC.

NON-QUALIFIED DEFERRED COMPENSATION IN 2007

Name	Executive Contributions in 2007 (\$)	Company Contributions in 2007 (\$)	Earnings in 2007 (\$)	Withdrawals/ Distributions (\$)	Balance as of 12/31/07 (\$)
(a)	(b) (1)	(c) (1)	(d) (2)	(e) (3)	(f)
Gary C. Dunton	268,000	358,625	238,998	0	4,607,195
C. Edward Chaplin	94,500	271,750	17,565	0	412,485
Mitchell I. Sonkin	84,500	111,583	24,603	0	514,054
Clifford D. Corso	39,083	120,333	66,164	0	1,275,093
Kevin D. Silva	72,000	98,000	101,535	0	1,940,331
Joseph W. Brown	175,300	288,950	227,816	0	4,322,694
Neil G. Budnick	100,500	184,500	190,119	4,336,684	0

- (1) MBIA maintains a non-qualified defined contribution retirement plan. Under this plan, MBIA credits amounts that it is precluded from contributing to the money purchase and 401(k) plans because of Internal Revenue Code limitations. The amounts credited include both company and employee contributions. The amounts shown in column (b) represent employee compensation deferrals and the amount shown in column (c) represent company matching and money purchase contributions, in each case in excess of the amounts that may be contributed to the Company's tax-qualified retirement plans. Executives become fully vested in Company contributions on the fifth year of participation in the plan. Beginning in 2007, Mr. Chaplin will receive five annual credits to the non-qualified retirement plan in the amount of \$140,000 per year to partially offset the value of the pension benefit he would have earned from his prior employer.

The employee contribution amounts reported in column (b) above are included in the Salary columns of the Summary Compensation Table and the Company contribution amounts reported in column (c) above are included in the All Other Compensation column of the Summary Compensation Table. The earning amounts reported in column (d) above have not been included in the Summary Compensation because they do not represent above-market earnings. Amounts reported in the aggregate balance at last fiscal year end (column (f)) previously were reported as compensation to the Executives in the Company's Summary Compensation Table for 2006 under the Salary and Non-Equity Incentive Plan Compensation columns in respect of employee contributions (\$232,500 for Mr. Dunton, \$18,750 for Mr. Chaplin, \$211,800 for Mr. Brown and \$141,000 for Mr. Budnick) and the All Other Compensation column in respect of employer contributions (\$342,125 for Mr. Dunton, \$10,417 for Mr. Chaplin, \$287,850 for Mr. Brown and \$203,500 for Mr. Budnick).

Compensation that may be deferred under the plan includes the aggregate salary and bonus paid to the Executive in any plan year (including amounts that would have been paid to him but for his election to defer part or all of such amounts under the non-qualified plan or any other plan of deferred compensation of the Company) for services rendered as an employee. The Company makes a matching contribution on behalf of the Executive in the amount of one dollar for each dollar deferred, up to (and not exceeding) five percent of the Executive's compensation for such payroll period minus the amount contributed on the Executive's behalf under the Company's 401(k) plan.

- (2) The non-qualified retirement plan earnings are based upon the Lehman Brothers Government/Corporate Bond Index. For interest rates credited in 2007, see footnote (8) in the Summary Compensation Table.
- (3) The vested account balances are distributed following termination of employment as a lump sum payment or in annual installments up to 10 years, as previously elected by the recipient and in all cases in accordance with the requirements of Section 409A of the Internal Revenue Code. In connection with his retirement, Mr. Budnick received a distribution from the non-qualified retirement plan. This amount was paid in a lump sum on October 31, 2007, six months after his separation from service.

MBIA INC.

RETIREMENTS DURING 2007

Mr. Budnick retired from the Company in April 2007. In connection with his retirement, Mr. Budnick became entitled to receive any vested benefits to which he was entitled under the Company's pension and profit sharing plans as of his retirement date. He also qualified for a 2006 performance bonus and a payout of his 2003 MBV award, subject to Company performance. In consideration for Mr. Budnick agreeing to a three year non-compete and non-solicit of the Company's employees and customers, Mr. Budnick received or became entitled to:

a prorated performance bonus for 2007 that was equivalent to the average of the 2006 and 2005 performance bonuses (\$320,000), paid in a lump sum shortly following his retirement;

his outstanding unvested stock options (133,000 stock options) immediately vested and remained exercisable until the later of 90 days from his retirement date or December 31, 2007 (not to exceed an options original expiration date);

all of his outstanding MBV restricted stock will continue to vest in accordance with the original performance-based vesting terms, subject to actual MBV performance for the relevant 3 year performance period, with the provision that the 35,000 shares of MBV restricted stock awarded to him on February 16, 2005 fully vested on his retirement date;

a grant of 23,396 restricted stock units (with a grant date value of \$1,627,431) that will become transferable on April 30, 2010 pursuant to the Company's retirement program as described on page 32;

his previously outstanding unvested time-based restricted stock (26,710 shares of restricted stock) immediately vested on his retirement date;

he and his eligible dependents are permitted to continue participation and coverage until his 55th birthday in the Company medical and dental insurance plans offered to active employees of the Company in accordance with the terms of such plans as they may be in effect from time to time, with the same level of Company subsidy as provided to active employees as may be in effect from time to time and, upon reaching age 55, Mr. Budnick will be eligible to participate in the Company's retiree medical and dental plans, in accordance with the terms of such plans as they may be in effect from time to time at his own cost or at such subsidized cost as may be made available to any other former officer of the Company (this benefit had a value at his retirement date of \$19,680);

a cash payment in the amount of \$1,000,000 in lieu of a long-term incentive grant for the 2006 performance year, paid shortly following his retirement date;

executive outplacement counseling for a period of six months and at the conclusion of the six months, an additional three months of outplacement counseling (a value of \$25,000);

Payment of legal fees of up to \$30,000.

Mr. Brown retired in May 2007 as executive Chairman and was re-employed by the Board on February 18, 2008 as Chairman, Chief Executive Officer and President. In connection with his retirement, Mr. Brown received and became entitled to a 2007 cash bonus (\$576,000) which represented the average of annual bonus paid to Mr. Brown for 2005 and 2006 and prorated for service up to his retirement date, the issuance of restricted shares he earned when he was a member of the board, the continued vesting of outstanding MBV restricted stock awards based on the performance targets established at the time of grant (50% MBV growth target from the beginning of the performance period) and outstanding stock options, which were fully vested at the time of retirement, remained exercisable up to an options expiration date.

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As discussed in the CD&A, Mr. Brown does not have an employment agreement, severance agreement or change in control arrangements, except with respect to his new restricted stock awards which are described in greater detail with regard to Proposal No. 3, Approval of Restricted Stock Awards to Joseph W. Brown , on page 51 of this proxy statement.

POTENTIAL POST TERMINATION PAYMENTS AS OF DECEMBER 31, 2007

The following summaries describe potential compensation and benefits payable to the Executives upon termination of employment under the following events: (a) involuntary (not for cause) or constructive termination following a change in control; (b) retirement; (c) other terminations that include involuntary termination (not for cause), voluntary termination for good reason (constructive termination) and resignation; and (d) payments and benefits upon death or disability.

The Company's compensation and benefits plans may provide certain compensation payments and benefits under the various termination events as described below. In general, employees participating in the compensation and benefit plans are treated similarly with respect to the various termination scenarios. Upon a termination of employment, Executives would be entitled to receive the benefits that have accrued under the deferred compensation plans of the Company and other accrued benefits. Differences may apply where named executives are covered under individual agreements (e.g., change in control agreements).

Potential compensation and benefits payable to an executive are described below. Following the narrative are estimated dollar values associated of these payments and benefits for each named executive.

Individual Agreements

The Company entered into an agreement with Gary C. Dunton in May 2004. Under that agreement, in the event that he was involuntarily or constructively terminated by the Company before May 2008, the vesting and exercisability terms with respect to his stock options would be determined as if he remained employed with the Company through the fifth anniversary of his termination date (the "Vesting Date"), and any stock options that have not previously vested would become fully vested and exercisable on the Vesting Date. Following the Vesting Date, Mr. Dunton's stock options would remain exercisable until the earlier of (i) the first anniversary of the Vesting Date and (ii) the expiration of the original term with respect to each such stock option. Notwithstanding the foregoing, if on any date prior to the Vesting Date (such date, the "Acceleration Date"), the Company's common stock closes at a trading price that is (i) greater than or equal to \$90 per share and (ii) greater than or equal to 150% of the closing price on his date of termination, then all of his previously unvested options would vest and become immediately exercisable and remain exercisable until the earlier of (i) the first anniversary of the Acceleration Date and (ii) the expiration of the original term with respect to each such stock option. In addition, any of his then outstanding MBV awards would be paid to him solely in the discretion of the Board in a manner consistent with past practice. Severance would be paid to Mr. Dunton in the discretion of the Board in a manner consistent with past practice, taking into account his base salary, annual bonus opportunity and anticipated retirement plan contributions at the time of his termination of employment. (The Company had not established a practice with respect to the termination of an executive's employment prior to 2007. The Company established a practice with respect to the termination of an executive's employment when Mr. Budnick and Mr. Zucker retired in 2007). Under his 2004 award agreement, Mr. Dunton was entitled to a gross up for any golden parachute excise taxes imposed on him under Section 4999 of the Internal Revenue Code, in connection with amounts or benefits payable to him upon a change in control of the Company. In consideration for these benefits, Mr. Dunton agreed to a two year non-compete, non-solicit of the Company's employees and customers and non-hire of the Company's employees.

As required by the rules of the Securities Exchange Commission, the tables shown on page 35 of this proxy statement disclose the amount and benefits that Mr. Dunton would have received had he experienced a qualifying termination on December 31, 2007. However, Mr. Dunton remained employed through February 16, 2008, when he resigned. Mr. Dunton's resignation was treated as a constructive termination. Pursuant to the agreement entered into when he became Chief Executive Officer in 2004, in connection with his termination, the vesting and exercisability of Mr. Dunton's outstanding option awards will be determined in accordance with the terms of the agreement and his outstanding shares of time vested restricted stock awards will vest. Additionally,

all of his outstanding MBV Restricted Stock awards will continue to be outstanding and to become vested, if at all, in accordance with the otherwise applicable MBV vesting schedules. Consistent with the obligation to pay Mr. Dunton severance benefits to be determined by the Board in its discretion, taking into account the Company's prior practices for its executive officers, the Company paid to Mr. Dunton of (1) a pro-rated bonus for his services in 2008 based on the average the annual bonuses payable to him in respect of his 2006 and 2007 services (or \$241,050); (2) a cash payment equal to the grant date value of the long-term incentive award that, in accordance with the Company's ordinary practices, would have been made to him in early 2008 in connection with his 2007 services (or \$2,550,000); (3) continued medical benefits coverage (i) until he attains age 55 on the same terms as would have applied had he continued to be an employee and (ii) thereafter on the same terms as apply to other retirees of the Company; (4) payment of his legal fees, up to a maximum of \$30,000, incurred in connection with the negotiation and review of his separation arrangements, which include a release and non-competition agreement in favor of the Company, and (5) nine months outplacement services. In addition, Mr. Dunton agreed to continue providing consulting services through April 30, 2008 to assist with transition issues, and will receive a fee for such consulting services in an amount equal to the base salary that he would have received had he remained employed through April 30, 2008. In connection with his separation, Mr. Dunton agreed not to compete with the Company for two years and not to solicit employees or clients of the Company for three years.

Involuntary or Constructive Termination Following a Change in Control

On November 8, 2006, the Compensation Committee adopted, and the Board approved, a Key Employee Employment Protection Plan (the KEEP Plan), which superseded the existing key employee employment protection agreements. The net effect of these revisions was to lower the level of benefits that would be payable to the covered executives in the event of a change of control. In addition, on December 21, 2007 the Company amended the KEEP Plan's change in control definition in that the Warburg Pincas investment agreement and stock purchases will not constitute a change in control.

Description of the KEEP Plan. Below is a summary of key provisions of the KEEP Plan. A copy of the KEEP Plan has been filed as Exhibit 10.80 to the Company's Annual Report on Form 10-K filed on March 1, 2007. A form of an individual agreement by which each covered executive would agree to the restrictive covenants that are a condition to the receipt of KEEP Plan benefits has been filed as Exhibit 10.81 to the Company's Form 8-K filed on November 15, 2006.

The KEEP Plan becomes effective on the date on which the change of control occurs and coverage is effective for a period of 24 months thereafter. Any employee who is a direct report of the Chief Executive Officer whom he or she designates as a member of senior management of the Company is eligible for benefits under the KEEP Plan.

Benefits payable under the KEEP Plan are triggered by a change of control of the Company followed by an involuntary termination by the Company (not for cause) or a constructive termination (that is, a termination by the executive following one of several enumerated adverse changes in the terms and conditions of his or her employment). Prior to his resignation on February 16, 2008, in the case of Mr. Dunton only, benefits would also have been payable upon a resignation during a thirty-day window following the first anniversary of the change of control. These terminations are each referred to as a qualifying termination.

The KEEP Plan provides that the Company will continue to employ each covered officer for a period of two years from the effective date of the change of control. During this period, the position, title, authority and responsibilities as well as salary, bonus and other elements of compensation for each covered officer are to be maintained at levels equal to or commensurate with levels existing prior to the change of control. In the event of a qualifying termination during the two year effective period, a covered officer will receive a lump sum severance payment equal to two times the sum of his or her annual base salary and the average of the annual

bonuses payable to the officer for the prior two years. The severance payment will also include a pro-rated annual bonus for the year of termination equal to the average of the annual bonuses payable to the officer for the prior two years.

The KEEP Plan provides that in the event of a qualifying termination, stock options held by a covered officer will become fully exercisable and the officer may exercise such options until the earlier to occur of the expiration date of the option or the fifth anniversary of the qualifying termination. All time-vesting restricted stock held by an officer will fully vest upon a qualifying termination. Performance vesting shares shall be administered in accordance with the terms of the applicable award agreement.

Under the KEEP Plan, each covered officer who incurs a qualifying termination will also receive (1) continued health and group life insurance coverage for a period of 24 months following the date of the qualifying termination and (2) credits to the Company's non-qualified retirement plan in an amount equal to the amount that otherwise would have been contributed on his or her behalf under the Company's money purchase plan had his or her employment continued for another 24 months. In addition to and separate from the KEEP Plan, upon a change in control all unvested retirement account balances become fully vested.

In addition, to the extent that any payments are subject to the excise tax imposed on so-called excess parachute payments, a tax gross-up payment will be made to each covered officer. This gross-up will not apply, however, if the total amount of payments that would otherwise be made to the officer on account of the change in control (including, but not limited to, the payments under the KEEP Plan) exceeds a safe harbor amount that can be paid without any excise tax by at least 10%. If such total payments are less than 10% over the safe harbor limit, Plan payments to the covered officer will be reduced to the extent necessary to eliminate any excise tax.

As a condition to the receipt of benefits, the KEEP Plan requires that a covered officer agree to be bound by a non-competition and non-solicitation clause and a non-disparagement clause. A violation of any of these clauses will result in a loss of future severance benefits and possible forfeiture to the Company of any severance benefits already paid.

Retirement Payments and Benefits

On November 8, 2006, the Committee adopted, and the Board of Directors approved, new voluntary retirement benefits which provide certain benefits, as the case may be, to the Company's employees, including the Executives, upon retirement (the Retirement Program). To be eligible for the retirement benefits as described below an Executive must (1) be at least 55 years old, (2) have at least five years of service and (3) give at least a six month advance notice of retirement. The Committee may waive any of the eligibility conditions or amend any of the provisions of the Retirement Program. The Retirement Program was based on retirement benefits provided to employees in the past and on an evaluation of market practices.

Effective January 1, 2008, two changes were made to the Retirement Program as follows in response to final IRS Section 409A regulations: (1) the restricted stock unit awards were eliminated and (2) replaced with an extended option exercise period of 4 years after retirement, not to exceed an option's expiration date. In addition, under the revised program stock options would continue to naturally vest past the retirement date in accordance with the original vesting terms.

The following is a summary of the retirement benefits under the Retirement Program in place as of December 31, 2007:

Base Salary. No salary continuation beyond the retirement date.

Year-end Performance Bonus. The performance bonus for the year of retirement will be equivalent to the average of the last two year's performance bonus (excludes special bonuses) and prorated based on number of

months of service in that year, presuming consistent performance by the Executive over two years preceding the retirement. The bonus will be paid on the retirement date. There is no payment of bonus beyond the retirement date.

MBV Restricted Stock. All outstanding MBV Restricted Stock will continue to vest beyond the retirement date in accordance with the original performance-based vesting terms and the award at vesting will be subject to actual MBV performance for the relevant three-year performance period. Thus, a recipient of an MBV Restricted Stock award who qualifies for the Retirement Program benefits will vest in such award on the same terms (other than the requirement of continued employment) as though he or she continued to be employed.

Restricted Stock. All other outstanding restricted stock will immediately vest at the retirement date.

Stock Options. The treatment of stock options will be different for options that were granted prior to the effective date of the Retirement Program (Pre-Program Options) and for options granted after the effective date (Post-Program Options).

Post-Program Options. All outstanding unvested Post-Program Options will continue to vest beyond the retirement date in accordance with the original vesting terms as though the retiree continued to be employed. All vested options may be exercised until the earlier of a period up to five years from the retirement date or the expiration of the option.

Pre-Program Options. All outstanding unvested Pre-Program Options will immediately vest on the retirement date. All outstanding options at retirement may be exercised until the later of 90 days following the retirement date or the last day of the calendar year of retirement; not to exceed the original expiration of the option term.

Cash Award in the Year of Retirement. In the event that the Company does not grant a year-end long-term incentive award for the Executive's last performance year following an advance notification of retirement, a partial cash payment may be awarded in lieu of the long-term incentive award that would otherwise have been awarded to the Executive.

Restricted Stock Unit (RSU) Award upon Retirement. To the extent that an Executive has Pre-Program Options at the date of retirement, the Executive will receive a restricted stock unit award at retirement. The restricted stock unit award vests three years after the grant date. The value of the restricted stock unit award will approximate the potential income that the Executive could have received from the exercise of Pre-Program Options during a post-retirement period of up to five years. Dividends will be paid on the number of restricted stock units awarded. The restricted stock unit award will be subject to such other terms and conditions as may be deemed necessary or appropriate by the Company as of the date of grant and set forth in the applicable award agreement.

Restrictive Covenants. The continued vesting of any outstanding long-term incentive awards or restricted stock units will require the Executive to consent to a three year non-compete, non-solicitation and non-disparagement provisions. In the event of a breach by an Executive of the restrictive covenants, they could be subject to the forfeiture of any benefits received under the Retirement Program.

Healthcare Benefits. The Executive can continue medical and dental benefits under the Company's retiree healthcare program with the Executive assuming the full premium costs. The Executive can convert standard group life insurance to an individual policy.

Accrued and Unused Vacation. Accrued and unused vacation time as of the retirement date will be paid at retirement consistent with current vacation company policy.

Other Terminations Involuntary Termination not for Cause, Constructive Termination and Resignation

MBIA would provide the following compensation payments and benefits upon the involuntary termination of an executive other than for cause, constructive termination (a voluntary termination for good reason) and resignation.

Cash Severance. Any cash payment will be paid at the discretion of the Board.

Restricted Stock. Upon an involuntary termination not for cause or a constructive termination all shares become vested. Upon resignation all shares are forfeited.

Stock Options. Under all of the termination scenarios in this section, vested options may be exercised for a period up to 90 days and unvested options are forfeited.

MBV Restricted Stock Upon involuntary termination by the Company not for cause, a prorated portion of the performance shares become vested based on (i) MBV appreciation through the termination date and (ii) the portion of the performance period completed through the termination date. Upon resignation all shares are forfeited.

Death and Total Disability Payments

MBIA would provide the following compensation payments upon death and total disability. Health and welfare benefits provided in the event of death or total disability for an executive would be the same as for all other employees.

Restricted Stock: Immediate vesting of restricted stock.

Stock Options: Immediate vesting of stock options with a one-year exercise period from the termination date.

MBV Restricted Stock. A prorated portion of the performance shares become vested based on MBV appreciation through the termination date.

Retirement Plans: All unvested retirement account balances under the pension, 401k and deferred compensation plan become fully vested.

Tables Showing Potential Post Termination Payments as of December 31, 2007

The following tables show the estimated value of the compensation and benefits that would become payable as a result of the different termination events described above (e.g., accelerated vesting of equity) for each of the Executives. The values have been estimated as if the termination events occurred on December 31, 2007. The value of equity compensation assumes the closing fair market value of the Company's shares on December 31, 2007 which was \$18.63. However, it is likely that the outstanding MBV restricted stock awards will not be earned because the MBV performance targets most likely will not be met due to the mark to market results in 2007. There are no values shown under retirement because none of the named executives are eligible for retirement compensation and benefits as of December 31, 2007.

Gary C. Dunton

Payment or Benefit upon Termination	Change in Control (\$)	Retirement (\$)	Involuntary and Constructive Termination (\$)(1)	Death and Total Disability Payments (\$)
Cash Severance	5,445,000	0	2,550,000	0
Cash Bonus	1,762,500	0	1,762,500	0
Restricted Stock	1,095,332	0	1,095,332	1,095,332
Options	(2)	0	(2)	(2)
MBV Restricted Stock	(2)	0	(2)	(2)
Excise Tax Gross-up	0	0	0	0
Retirement Benefits (3)	567,000	0	0	0
Healthcare Benefits (4)	60,779	0	20,284	0
Total	8,930,611	0	5,428,116	1,095,332

C. Edward Chaplin

Payment or Benefit upon Termination	Change in Control (\$)	Retirement (\$)	Involuntary and Constructive Termination (\$)	Death and Total Disability Payments (\$)
Cash Severance	2,200,000	0	(5)	0
Cash Bonus	600,000	0	(5)	0
Restricted Stock	583,100	0	583,100	583,100
Options	(2)	0	(2)	(2)
MBV Restricted Stock	(2)	0	(2)	(2)
Excise Tax Gross-up	0	0	0	0
Retirement Benefits	591,774	0	0	371,774
Healthcare Benefits	38,689	0	0	0
Total	4,013,563	0	583,100	954,874

- (1) Under the practices established in 2007, an executive whose employment was involuntarily or constructively terminated would have received (1) a pro-rated bonus for the year of termination, based on the average of the actual bonuses paid for the prior two completed fiscal years, and (2) if no long-term incentive award had been granted in the year of termination in respect of the prior year's performance, a cash payment will be made in lieu of such award. The numbers listed in this column indicate the amounts that would have been payable to Mr. Dunton upon a termination at December 31, 2007, applying these practices.
- (2) At December 31, 2007, all outstanding stock options held by the executive had exercise prices in excess of the closing price of the stock on that date. At December 31, 2007, MBV restricted stock awards were unlikely to have been earned because of the impact on the MBV formula of the Company's recent performance.
- (3) Retirement Benefits under Change in Control represents credits to the Company's non-qualified retirement plan in an amount equal to the amount that otherwise would have been contributed under the pension plan

had his or her employment continued for another 24 months. In addition, the amounts for Messrs. Chaplin and Sonkin also include the vesting of the unvested retirement account balances as shown under Death and Total Disability.

- (4) Healthcare Benefits under Change in Control represents the Company's cost of all benefits (i.e., healthcare, life, and disability) provided to the executive for a 24 month period following a qualifying event under the KEEP Plan. For Mr. Dunton, the amount under Involuntary Termination represents the company cost for providing medical and dental benefits until Mr. Dunton reaches age 55 at which time he will become eligible for retiree medical and dental benefits where there is no company subsidy of premium costs.
- (5) Any cash payment and cash bonus will be paid at the discretion of the Board.

Mitchell I. Sonkin

Payment or Benefit upon Termination	Change in Control (\$)	Retirement (\$)	Involuntary and Constructive Termination (\$)	Death and Total Disability Payments (\$)
Cash Severance	1,950,000	0	(5)	0
Cash Bonus	525,000	0	(5)	0
Restricted Stock	460,142	0	460,142	460,142
Options	(2)	0	(2)	(2)
MBV Restricted Stock	(2)	0	(2)	(2)
Excise Tax Gross-up (6)	1,239,685	0	0	0
Retirement Benefits	335,232	0	0	135,232
Healthcare Benefits	34,535	0	0	0
Total	4,544,594	0	460,142	595,374

- (6) With respect to Mr. Sonkin, the excise tax assumes a personal income tax rate of 40%.

Clifford D. Corso

Payment or Benefit upon Termination	Change in Control (\$)	Retirement (\$)	Involuntary and Constructive Termination (\$)	Death and Total Disability Payments (\$)
Cash Severance	2,100,000	0	(5)	0
Cash Bonus	600,000	0	(5)	0
Restricted Stock	74,520	0	74,520	74,520
Options	(2)	0	(2)	(2)
MBV Restricted Stock	(2)	0	(2)	(2)
Excise Tax Gross-up	0	0	0	0
Retirement Benefits	220,000	0	0	0
Healthcare Benefits	30,882	0	0	0
Total	3,025,402	0	74,520	74,520

Kevin D. Silva

Payment or Benefit upon Termination	Change in Control (\$)	Retirement (\$)	Involuntary and Constructive Termination (\$)	Death and Total Disability Payments (\$)
Cash Severance	1,710,000	0	(5)	0
Cash Bonus	480,000	0	(5)	0
Restricted Stock	59,802	0	59,802	59,802
Options	(2)	0	(2)	(2)
MBV Restricted Stock	(2)	0	(2)	(2)
Excise Tax Gross-up	0	0	0	0
Retirement Benefits	175,000	0	0	0
Healthcare Benefits	35,187	0	0	0
Total	2,459,989	0	59,802	59,802

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The Company paid PwC a total of \$5,133,000 and \$4,144,000 respectively, for professional services rendered for the years ended December 31, 2007 and 2006, broken down as follows (in thousands):

	2007	2006
Audit	\$ 3,546	\$ 2,799
Audit Related	\$ 645	\$ 702
Tax	\$ 934	\$ 635
All Other	\$ 8	\$ 8
Total	\$ 5,133	\$ 4,144

Audit fees were for professional services rendered in connection with the audits of the consolidated financial statements of the Company, statutory and subsidiary audits, Sarbanes-Oxley Section 404 work, procedures performed in connection with the income tax provision, and assistance with the review of documents filed with the SEC.

Audit Related fees were for assurance and related services performed in connection with the audit of the Company's charitable foundation, the issuance of comfort letters and consultations concerning financial accounting and reporting standards.

Tax fees were for services related to tax compliance, the preparation of certain tax returns and claims for refund, tax planning, and tax advice including assistance with and representation in tax audits and appeals.

All Other fees were for an on-line accounting research service.

One hundred percent of the Audit Related, Tax and All Other services for the year ended December 31, 2007 were approved by the Audit Committee.

PwC did not provide the Company with any information technology services relating to financial systems design and implementation for 2007 and did no other consulting work except as indicated.

Pursuant to its Charter, the Audit Committee has responsibility for the pre-approval of all audit and permitted non-audit services to be performed for the Company by the independent auditors. The Audit Committee has adopted a policy for the approval of non-audit related services. At the beginning of the year, the Audit Committee reviews and approves any proposed audit and non-audit related services for the year and the associated costs. The Audit Committee also reviews at its meetings other audit and non-audit services proposed to be provided by the independent auditors. The Committee has delegated to the Chair the authority to grant pre-approvals if the Chair deems it necessary or appropriate to consider a pre-approval request without a meeting of the full Committee. Pre-approvals by the Chair are reviewed with the Committee at its next regularly scheduled meeting.

In considering the pre-approval of proposed audit or non-audit services by the independent auditors, management reviews with the Audit Committee a description of, and the budget for, the proposed service and the reasons that the independent auditors are being requested to provide the services, including any possible impact on the independence of the independent auditors. Additional Committee approval is required if the pre-approved services exceed the pre-approved budgeted amount for the services.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The table below contains certain information about the only beneficial owners known to the Company as of March 17, 2008 of more than 5% of the outstanding shares of the Company's common stock.

Name and Address of Beneficial Owner(s)	Shares of Common Stock Beneficially Owned	Percent (%) of Class (6)
AXA Assurances I.A.R.D. Mutuelle		
AXA Assurances Vie Mutuelle		
AXA Courtage Assurance Mutuelle		
AXA (1)		
1290 Avenue of the Americas		
New York, NY 10104	11,890,373	5.04
Third Avenue Management LLC (2)		
622 Third Avenue, 32nd Floor		
New York, NY 10017	33,633,137	14.26
Warburg Pincus Private Equity X, L.P.		
Warburg Pincus X L.P.		
Warburg Pincus X LLC		
Warburg Pincus Partners, LLC		
Warburg Pincus & Co.		
Warburg Pincus LLC		
Charles R. Kaye		
Joseph P. Landy (3)(4)		
466 Lexington Avenue		
New York, NY 10017	49,575,890	21.02
Wellington Management Company, LLP (5)		
75 State Street		
Boston, MA 02109	17,511,840	7.42

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- (1) This information as to the beneficial ownership of shares of common stock is based on the Schedule 13G/A filed jointly by AXA Financial, Inc., AXA Assurances I.A.R.D. Mutuelle, AXA Assurances Vie Mutuelle, AXA Courtage Assurance Mutuelle and AXA (collectively, the AXA entities) with the Securities and Exchange Commission (SEC) on February 14, 2008. Such filing indicates that the AXA entities jointly have sole voting power with respect to 8,982,754 of such shares, shared voting power with respect to 915,077 of such shares and sole dispositive power with respect to 11,890,373, and do not have shared dispositive power with respect to any of the shares.
- (2) This information as to the beneficial ownership of shares of Common Stock is based on information provided to us by Third Avenue Management LLC (Third Avenue) as of March 12, 2008. Third Avenue has advised us that Third Avenue has sole voting power with respect to 31,957,282 of such shares and sole dispositive power with respect to all of the shares, and does not have shared voting power or shared dispositive power with respect to any of the shares.
- (3) This information as to the beneficial ownership of shares of common stock is based on the Schedule 13D/A filed jointly by Warburg Pincus Private Equity X, L.P., Warburg Pincus X L.P., Warburg Pincus X LLC, Warburg Pincus Partners, LLC, Warburg Pincus & Co., Warburg Pincus LLC, Charles R. Kaye and Joseph P. Landy (collectively, the WP entities) with the SEC on February 14, 2008. Such filing indicates the WP entities jointly have sole voting power with respect to 24,247,068 of such shares (including warrants currently exercisable to purchase 8,755,499 shares) and sole dispositive power with respect to all of such shares, and do not have shared voting power or shared dispositive power with respect to any of such shares.
- (4) Includes A Warrants currently exercisable for 8,755,499 shares, but excludes B Warrants, approval anti-dilution A Warrants and B-2 Warrants that upon shareholder approval will become exercisable for

16,572,147 shares as described under Proposals for Shareholder Approval Recommended by the Board Proposal 2: Approval of the Right to Exercise Certain Warrants Issued to Warburg Pincus Private Equity X, L.P. and its affiliate for Shares of MBIA Inc. Common Stock. 25,328,822 of such shares are currently held in voting trusts pending approvals of state insurance regulatory authorities in New York and Illinois.

- (5) This information as to the beneficial ownership of shares of common stock is based on the Schedule 13G/A filed by Wellington Management Company, LLP (Wellington) with the SEC on February 14, 2008. Such filing indicates that Wellington does not have sole voting power or sole dispositive power with respect to any of such shares, has shared voting power with respect to 10,637,430 of such shares, and has shared dispositive power with respect to all of such shares.
- (6) Based on 235,886,195 shares outstanding as of March 17, 2008.

SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth, as of March 17, 2008, the beneficial ownership of shares of Common Stock of each Director, each Senior Officer named in the Summary Compensation Table above, and all Directors and Executive Officers of the Company, as a group.

Name	Shares of Common Stock Beneficially Owned	Shares Acquirable Upon Exercise of Options (2)	Total Shares Beneficially Owned (3)
Directors			
Joseph W. Brown (1) (4)	655,742	359,000	1,014,742
David C. Clapp (4)	34,728		34,728
David A. Coulter (4)(5)(6)	49,581,263		49,581,263
Claire L. Gaudiani (4)	21,636		21,636
Daniel P. Kearney (4)	26,999		26,999
Kewsong Lee (4)(5)(6)	49,581,263		49,581,263
Laurence H. Meyer (4)	10,139		10,139
David M. Moffett (4)	1,060		1,060
Debra J. Perry (4)	12,701		12,701
John A. Rolls (4)	48,148		48,148
Richard C. Vaughan (4)	4,476		4,476
Richard H. Walker (4)	2,609		2,609
Jeffery W. Yabuki (4)	5,783		5,783
Executive Officers (1)			
Gary C. Dunton	383,973	947,155	1,331,128
C. Edward Chaplin	75,359		75,359
Mitchell I. Sonkin	67,788	18,000	85,788
Clifford D. Corso	67,979	49,672	117,651
Kevin D. Silva	63,557	318,510	382,067
Neil G. Budnick	40,208		40,208
All of the above and other Executive Officers as a group (6)	51,363,602	2,192,657	53,556,259

- (1) This number includes shares held by the Executive Officers under the Company's exempt 401(k) Plan and includes restricted shares and stock units awarded annually to certain of the Executive Officers.
- (2) This column indicates the number of shares that are presently exercisable or will become exercisable on or before May 16, 2008 under the Company's stock option program.
- (3) The percentage of shares of common stock beneficially owned by all Directors and Executive Officers as a group is 22.70% of the shares of common stock outstanding. Excluding the shares held by Messrs. Coulter and Lee due to their affiliation with the WP entities, the percentage of shares of common stock beneficially owned by all Directors and Executive Officers as a group is 1.68%. Each Director and Executive Officer individually owns less than 1% of the shares of common stock outstanding, except for Messrs. Coulter and Lee, who each own 21.02%, which ownership is disclaimed with respect to all such shares except for 5,373 shares, as described in footnote 6 below.
- (4) This number includes (a) common stock equivalent deferral units held under the Company's Amended and Restated Deferred Compensation and Stock Ownership Plan for Non-Employee Directors, and (b) restricted stock awarded under the Omnibus Plan. (See the discussion of these plans under "The Board of Directors and its Committees.")
- (5) Includes 49,575,890 shares owned by the WP entities. Includes A Warrants currently exercisable for 8,755,499 shares, but excludes B Warrants, approval anti-dilution A Warrants and B-2 Warrants that upon shareholder approval will become exercisable for 16,572,147 shares as described under "Proposals for Shareholder Approval Recommended by the Board Proposal 2: Approval of the Right to Exercise Certain

Warrants Issued to Warburg Pincus Private Equity X, L.P. and its affiliate for Shares of MBIA Inc. Common Stock. 25,328,822 of such shares are currently held in voting trusts pending approvals of state insurance regulatory authorities in New York and Illinois. Includes a restricted stock award of 5,373 shares.

- (6) David A. Coulter and Kewsong Lee are Partners of Warburg Pincus & Co. and Managing Directors and Members of Warburg Pincus LLC. 49,575,890 of the shares indicated as owned by Messrs. Coulter and Lee are included because of their affiliation with the WP entities. Messrs. Coulter and Lee disclaim beneficial ownership of all shares owned by the WP entities.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Ownership of and transactions in the Company's common stock by Executive Officers and Directors of the Company are required to be reported to the Securities and Exchange Commission in accordance with Section 16 of the Securities Exchange Act of 1934. To the best of the Company's knowledge, such required filings were made on a timely basis, except for the following:

Two Form 4s for John A. Rolls were filed late. The first Form 4 was filed on December 3, 2007 to report a disposition of MBIA common stock on November 5, 2007 and a subsequent purchase of MBIA common stock on November 30, 2007. The second Form 4 was filed on February 1, 2008 to report dispositions of MBIA common stock on October 31, 2007 and November 1, 2007 and subsequent purchases of MBIA common stock on January 30, 2008. The reported dispositions resulted from certain sales of MBIA stock from Mr. Rolls' margin account without his knowledge or consent. The transactions reported in these Form 4 filings, and a Stock Purchase Agreement entered into between Mr. Rolls and the Company directing the purchase by Mr. Rolls of MBIA common stock from the Company at the same prices as were sold by his broker, was reported by the Company in a Form 8-K filed on February 1, 2008. The Board also indicated in connection with its approval that such purchase would satisfy Mr. Rolls' obligation to disgorge any unintended realization of short-swing profits.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Investment Agreement

To the best of the Company's knowledge, except insofar as they may be shareholders of the Company or as described below under "Investment Agreement" and "Amended and Restated Investment Agreement" and under "Proposals for Shareholder Approval Recommended by the Board" Proposal 3: Approval of Restricted Stock Awards to Joseph W. Brown, no person who has been a Director or Executive Officer of the Company at any time since the beginning of 2007, no nominees to the Board of Directors nor any associate of the foregoing persons has any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon at the 2008 annual meeting of shareholders.

Transactions with related persons (as defined in Item 404(a) of Regulation S-K) are monitored by management, the Audit Committee and the Board of Directors and all Directors and Executive Officers of the Company complete a questionnaire at the beginning of each year, in which they are asked to disclose family relationships and relationships with other related persons. Before approving a transaction with a related person, the Board of Directors would take into account all relevant factors that it deems appropriate, including fairness to the Company and the extent of the related person's interest in the transaction. The policies and procedures surrounding the review, approval or ratification of transactions with related persons are not in writing given that the Company does not typically enter into such transactions. Nevertheless, such review, approval and ratification of transactions with related persons would be documented in the minutes of the meetings of the Board of Directors. There were no transactions with related persons since the beginning of the 2007 fiscal year where the policies and procedures described above did not require review, approval or ratification of the transaction or where such policies and procedures were not followed.

On December 10, 2007, the Company entered into an Investment Agreement (as amended and restated, the "Investment Agreement") with Warburg Pincus Private Equity X, L.P. ("Warburg Pincus") pursuant to which Warburg Pincus committed to invest up to \$1 billion in MBIA through a direct purchase of MBIA common stock and a backstop for a shareholder rights offering. Under the terms of the Investment Agreement, Warburg Pincus made an initial investment of \$500 million in the Company through the acquisition of 16,129,032 million shares of the Company's common stock at a price of \$31.00 per share and committed to backstop a shareholder rights offering of up to \$500 million. The net proceeds of the Warburg Pincus investment were used to further solidify the Company's capital position. In connection with its investment and backstop commitment, Warburg Pincus received warrants exercisable for up to 8,698,920 million shares of the Company's common stock at a price of \$40 per share, which we refer to as the "A Warrants," and warrants, which, upon the approval of our shareholders, will become exercisable for up to 7,430,112 million shares of common stock at a price of \$40 per share, which we refer to as "B Warrants." See "Proposals for Shareholder Approval Recommended by the Board" Proposal 2: Approval of the Right to Exercise Certain Warrants Issued to Warburg Pincus Private Equity X, L.P. and its affiliate for Shares of MBIA Inc. Common Stock, for additional information about the A Warrants and the B Warrants. The initial \$500 million investment closed on January 30, 2008, which we refer to as the "Investment Agreement Closing Date."

Mr. David Coulter and Mr. Kewsong Lee, who are Managing Directors of affiliates of Warburg Pincus, were appointed to the Board on the Investment Agreement Closing Date in accordance with the Investment Agreement. Pursuant to the Investment Agreement, at least two days prior to the Investment Agreement Closing Date, the Company was required to cause two people nominated by Warburg Pincus to be elected or appointed to the Board on the Investment Agreement Closing Date. Subject to the share ownership requirements described in the Investment Agreement, the Company is required to recommend to its shareholders the election of up to two directors nominated by Warburg Pincus at the Company's annual meeting, and Warburg Pincus's nominees will be required to be the Company's and the Company's Nominating/Governance Committee's nominees to serve on the Board. In addition, the Company is required to use all reasonable best efforts to have Warburg Pincus's nominees elected as directors of the Company and the Company is required to solicit proxies for them to the same extent as it does for any of its other nominees to the Board. Subject to the share ownership requirement

described in the Investment Agreement, Warburg Pincus has the right to proportionate representation on each committee of the Board (and the board of directors of any of the Company's subsidiaries), with at least one representative on each such committee, as permitted by applicable laws and New York Stock Exchange regulations. See [Proposals for Shareholder Approval Recommended by the Board](#) Proposal 1: Election of Directors.

Amended and Restated Investment Agreement

On February 6, 2008, the Company and Warburg Pincus amended and restated the Investment Agreement to provide that Warburg Pincus would backstop a public offering of the Company's common stock by agreeing to purchase up to \$750 million of convertible participating preferred stock. The amended and restated Investment Agreement reduced Warburg Pincus' obligation to backstop a shareholder rights offering by the sum of (i) the aggregate price of the shares of the Company's common stock sold in the public offering and (ii) the aggregate purchase price of any preferred stock the Company sold to Warburg Pincus in connection with such offering. Warburg Pincus had the option to purchase up to \$300 million of preferred stock (the [Backstop Option](#)) under the amended and restated Investment Agreement.

Pursuant to the terms of the amended and restated Investment Agreement, Warburg Pincus and an affiliate received warrants, which, upon the approval of our shareholder, will become exercisable for up to an aggregate of 4 million shares of the Company's common stock at \$16.20 per share, which we refer to as the [B-2 Warrants](#). The amended and restated Investment Agreement provided that in the event the backstop was utilized the Company would issue to Warburg Pincus B-2 Warrants to purchase up to an additional 4 million shares of the Company's common stock, depending on the portion of the backstop the Company utilized. The Company did not utilize any portion of the backstop because it sold more than \$750 million of common stock in our February public offering. Accordingly, Warburg Pincus did not receive additional B-2 Warrants, and no preferred stock was issued. Warburg Pincus purchased \$300 million of common stock in our February public offering, and did not exercise the [Backstop Option](#). See [Proposals for Shareholder Approval Recommended by the Board](#) Proposal 2: Approval of the Right to Exercise Certain Warrants Issued to Warburg Pincus Private Equity X, L.P. and its affiliate for Shares of MBIA Inc. Common Stock, for additional information about the B-2 Warrants.

PROPOSALS FOR SHAREHOLDER APPROVAL RECOMMENDED BY THE BOARD

PROPOSAL 1: ELECTION OF DIRECTORS

All of MBIA's directors are elected at each annual shareholders' meeting for a one-year term. Shareholders will elect ten directors at the 2008 meeting to serve a term expiring at the 2009 annual meeting.

Following is information about each nominee, including biographical data for at least the last five years. Should one or more of these nominees become unavailable to accept the nomination or election as Director (an event not now anticipated), all proxies received will be voted for such other persons as the Board may recommend, unless the Board reduces the number of directors.

Joseph W. Brown

Mr. Brown rejoined the Company in February 2008 as Chairman and Chief Executive Officer. He became Executive Chairman on May 6, 2004 and retired from that position on May 3, 2007. Until May 2004, he had served as Chairman and Chief Executive Officer. He originally joined the Company as Chief Executive Officer in January 1999, having been a director since 1986 and became Chairman in May 1999. Prior to joining the Company, Mr. Brown was Chairman of the Board of Talegen Holdings, Inc. from 1992 through 1998. Prior to joining Talegen, Mr. Brown had been with Fireman's Fund Insurance Companies as President and Chief Executive Officer. Mr. Brown is also Non-Executive Chairman and a director of Safeco Corporation and will step down from that chairmanship in May 2008. Age 59.

David A. Coulter

Mr. Coulter was elected to the Board of Directors in January 2008. Mr. Coulter joined Warburg Pincus in 2005 as a Managing Director and Senior Advisor and focuses on the firm's financial services investment activities. From 2000 through 2005, Mr. Coulter held a series of senior positions at JPMorgan Chase and was a member of the Office of the Chairman. He also held senior executive positions at The Beacon Group and served as Chairman and C.E.O. of BankAmerica Corporation. He is also a director of PG&E Corporation, Strayer Education Inc., The Irvine Company, Aeolus Re Ltd. and Metavante Technologies. Mr. Coulter received a B.S. and M.S. from Carnegie Mellon University. Age 60.

Claire L. Gaudiani

Dr. Gaudiani has served as a Director of the Company since 1992. Dr. Gaudiani has been a Professor at New York University since 2004. From 2000 to 2004, she was a Senior Research Scholar at the Yale Law School. From 1988 until June 2001, Dr. Gaudiani was President of Connecticut College. Dr. Gaudiani has also been President and CEO of the New London Development Corporation from 1997 to 2004. She also serves as a director of the Worcester Polytechnic Institute and the Henry Luce Foundation Inc. Age 63.

Daniel P. Kearney

Mr. Kearney has served as a Director of the Company since 1992 and will serve as Lead Director effective May 2008. Mr. Kearney is currently a Financial Consultant and retired as Executive Vice President of Aetna Inc. (insurance company) in February 1998. Prior to joining Aetna in 1991, he served as President and Chief Executive Officer of the Resolution Trust Corporation Oversight Board from 1989 to 1991. From 1988 to 1989, Mr. Kearney was a Principal at Aldrich, Eastman & Waltch, Inc., a pension fund advisor.

Mr. Kearney was a Managing Director at Salomon Brothers Inc. (investment bank) in charge of the Mortgage Finance and Real Estate Finance departments from 1977 to 1988. He serves as a Director of Fiserv, Inc., MGIC Investment Corporation and the Joyce Foundation and Prudential Bank. Mr. Kearney served as Chair of the Compensation Committee of Fiserv, Inc. until November 2005, before Mr. Yabuki, a director of the Company, became President and Chief Executive Officer of Fiserv, Inc. in December 2005. Age 68.

Kewsong Lee

Mr. Lee was elected to the Board of Directors in January 2008. Mr. Lee has served as a Member and Managing Director of Warburg Pincus LLC and a general partner of Warburg Pincus & Co. since January 1997. He has been employed at Warburg Pincus since 1992. He leads the firm's leveraged buy-out and special situations efforts and focuses on the firm's financial services investment activities. Prior to joining Warburg Pincus, Mr. Lee was a consultant at McKinsey & Company, Inc., a management consulting company, from 1990 to 1992. He is also a director of The Neiman Marcus Group, Inc., Arch Capital Group Ltd., Aramark Corporation and Knoll Inc. Age 42.

Laurence H. Meyer

Dr. Meyer has served as a Director of the Company since 2004. Dr. Meyer is currently Vice Chairman of Macroeconomic Advisers, which he joined in 2002. He is also a distinguished scholar at the Center for Strategic and International Studies and a board member for the National Bureau of Economic Research. Dr. Meyer also serves as senior adviser to the G-7 Group and is a fellow of the National Association of Business Economists. He was a member of the Board of Governors of the Federal Reserve System from 1996 to 2002. From 1969 to 1996, Dr. Meyer was a professor of economics and a former Chairman of the Economics Department at Washington University in St. Louis. Age 63.

David M. Moffett

Mr. Moffett was elected to the Board of Directors in May 2007. Mr. Moffett is currently a Senior Advisor at The Carlyle Group. Until February 27, 2007, Mr. Moffett was Vice Chairman and Chief Financial Officer of U.S. Bancorp. Mr. Moffett had served in these positions since the merger of Firststar Corporation and U.S. Bancorp in February 2001. Mr. Moffett retired as Vice Chairman and Chief Financial Officer of U.S. Bancorp on February 27, 2007. Prior to the merger of Firststar Corporation and U.S. Bancorp, he was Vice Chairman and Chief Financial Officer of Firststar Corporation, and had served as Chief Financial Officer of Star Banc Corporation from 1993 until its merger with Firststar Corporation in 1998. Mr. Moffett is a member of the Board of Directors of eBay, Inc., E.W. Scripps Company and Building Materials Holding Corporation. Age 56.

John A. Rolls

Mr. Rolls has served as a Director of the Company since 1995. Mr. Rolls is currently a Managing Partner of Core Capital Group, LLC. He retired as President and Chief Executive Officer of Thermion Systems International in 2007, positions that he had held since 1996. From 1992 until 1996, he was President and Chief Executive Officer of Deutsche Bank North America. Prior to joining Deutsche Bank, he served as Executive Vice President and Chief Financial Officer of

United Technologies from 1986 to 1992. He is a Director of Bowater, Inc. and FuelCell Energy, Inc. Age 66.

Richard C. Vaughan

Mr. Vaughan was elected to the Board of Directors in August 2007. He served as Executive Vice President and Chief Financial Officer of Lincoln Financial Group from 1995 until his retirement in May 2005. He joined Lincoln in July 1990 as Senior Vice President and Chief Financial Officer of Lincoln National's Employee Benefits Division. In June 1992, he was appointed Chief Financial Officer for the corporation. He was promoted to Executive Vice President in January 1995. He was previously employed with EQUICOR from September 1988 to July 1990, where he served as a Vice President in charge of public offerings and insurance accounting. Prior to that, Mr. Vaughan was a Partner at KPMG Peat Marwick in St. Louis, from July 1980 to September 1988. Mr. Vaughan is a member of the Board of Directors of DaVita Inc. and served on the Board of The Bank of New York Company, Inc. from 2005 to July 2007 when it merged with Mellon Financial Corp. Age 58.

Jeffery W. Yabuki

Mr. Yabuki has served as a Director of the Company since August 2005. In December 2005, Mr. Yabuki was appointed President and Chief Executive Officer of Fiserv, Inc., a provider of information management systems and services. Prior to that, Mr. Yabuki served as Executive Vice President since 2001 and as Chief Operating Officer since 2002 for H&R Block, Inc., a financial services firm. From 1999 to 2002, Mr. Yabuki served as the President of H&R Block International. From 1987 to 1999, Mr. Yabuki held various executive positions with American Express Company, a financial services firm, including President and Chief Executive Officer of American Express Tax and Business Services, Inc. Mr. Yabuki also serves as a director of Fiserv, Inc. Age 47.

The Board has designated Mr. Kearney as Lead Director effective as of May 1, 2008 and to serve until the Company's 2009 annual meeting of the shareholders. Mr. Clapp will continue to serve as Lead Director until May 1, 2008. In such capacity, Mr. Kearney will serve as acting Chairman of the Board in any Board meetings in which the Chairman does not participate and will preside at non-management director meetings. Shareholders or interested parties wishing to communicate with our Lead Director or with the non-management directors as a group may do so prior to May 1, 2008 by contacting Mr. Clapp by regular mail sent to 85 Broad Street, 2nd Floor, New York, New York 10004 and after May 1, 2008 by contacting Mr. Kearney by regular mail sent to 1550 North State Parkway, #1002, Chicago, IL 60610.

The Company's Board of Directors has determined in accordance with the independence standards set forth in the Company's Corporate Governance Practices, that each Director named below is an Independent Director and that none of the Directors named below has any material relationships with the Company. Such Independent Directors are: David A. Coulter, Claire L. Gaudiani, Daniel P. Kearney, Kewsong Lee, Laurence H. Meyer, David M. Moffett, John A. Rolls, Richard C. Vaughan and Jeffery W. Yabuki. Director David C. Clapp, who is not nominated for election, also meets the independence standards. In addition, each of the Directors named in the foregoing sentences meets the definition of Independent Director set forth in the New York Stock Exchange Corporate Governance Listing Standards. These Independent Directors constitute a significant majority of the Company's Board, consistent with the policy set out in the Company's Corporate Governance Practices.

The Corporate Governance Practices include the following independence standards designed to assist the Board in assessing director independence. The terms MBIA and the corporation in the following standards refer to MBIA Inc.

The Board shall consist of a significant majority of independent directors. Independent director means a director who:

is not a member of management or an employee and has not been a member of management or an employee within the last 5 years;

has no close family or similar relationship with a member of key management;

is not a lawyer, advisor or consultant to the corporation or its subsidiaries and does not have any personal service contracts with the corporation or its subsidiaries;

does not have any other relationship with the corporation or its subsidiaries either personally or through his or her employer which, in the opinion of the Board, would adversely affect the director's ability to exercise his or her independent judgment as a director;

is not currently or has not been for five years a former employee of the independent auditor;

is not currently or has not been for five years an employee of any company whose compensation committee includes an officer of MBIA;

is not an immediate family member of either of the two previous categories.

Because the corporation is a major financial institution, outside directors or the companies they are affiliated with will sometimes have a business relationship with the corporation or its subsidiaries. Directors and companies with which they are affiliated are not given special treatment in these relationships. The Board believes that the existence of a business relationship is not, in and of itself, sufficient to disqualify a director from being considered an independent director. The materiality of the relationships and the director's own ability to exercise independent judgment should be evaluated, and external criteria for independence, such as those promulgated by the Securities and Exchange Commission, should be considered.

To help maintain the independence of the Board, all directors are expected to deal at arm's length with the corporation and its subsidiaries and to disclose circumstances material to the director which might be perceived as a conflict of interest. The corporation shall disclose publicly compliance with the requirement that a majority of its Board is comprised of independent directors.

Fewer nominees are named (ten) than the number of Directors fixed by the Board pursuant to the Company's By-Laws (twelve) because the Company has not yet determined whether to fill those positions and, if so, who will be invited to join the Board. Proxies cannot be voted for a greater number of Directors than the nominees named. The Board is continuing to search for two additional Directors. If a suitable candidate is found after the mailing of this proxy, the Board plans to elect him or her to the Board in accordance with its power under the Company's By-Laws to fill interim vacancies on the Board.

Mr. Vaughan was recommended as a nominee to serve on the Board through a third-party search firm retained by the Nominating/Corporate Governance Committee to identify potential nominees to the Board. The recommendation was based on his credentials and extensive experience in financial services businesses and his general knowledge and experience in financial matters. Mr. Vaughan met with the members of the Nominating/Corporate Governance Committee, who recommended that his candidacy be considered by the full Board. Mr. Vaughan also met with Mr. Dunton, the Chairman and Chief Executive Officer of the Company at that time. The full Board approved Mr. Vaughan's nomination and, after attending and observing a meeting of the Board, Mr. Vaughan accepted the nomination. The Board then elected Mr. Vaughan in August 2007 in accordance with the Board's power under the Company's By-Laws to fill interim vacancies on the Board.

Messrs. Coulter and Lee were appointed to the Board pursuant to the terms of the Investment Agreement, as defined under Certain Relationships and Related Transactions above.

Vote Necessary to Elect Ten Incumbent Directors

Directors are elected by a plurality of the votes cast under applicable law. Pursuant to the Company's By-Laws, a Director who fails to receive a majority of votes cast for his or her election in an uncontested election will be required to tender his or her resignation no later than five business days from the date of the certification of the election results and, no later than 90 days from such certification, the Board will accept such resignation absent compelling reasons. Abstentions from voting on the proposal and broker non-votes will have no effect on the outcome of the election or the resignation requirement.

The Board of Directors recommends unanimously that you vote FOR this proposal to re-elect ten incumbent Directors.

PROPOSAL 2: APPROVAL OF THE RIGHT TO EXERCISE CERTAIN WARRANTS ISSUED TO WARBURG PINCUS PRIVATE EQUITY X, L.P. AND ITS AFFILIATE FOR SHARES OF MBIA, INC. COMMON STOCK

Introduction.

Warrants in connection with the January 2008 Warburg Pincus Investment. In connection with the closing of the investment in our company by Warburg Pincus Private Equity X, L.P., which we refer to as Warburg Pincus, and its affiliate, Warburg Pincus X Partners, L.P., in January 2008 pursuant to the December investment agreement between us and Warburg Pincus, which we refer to as the Warburg Pincus investment, Warburg Pincus acquired B warrants, which we refer to as the B Warrants, which, upon the approval of our shareholders, will become exercisable for up to 7,430,122 shares of our common stock, at a then-exercise price of \$40.00, and A warrants, which we refer to as the A Warrants, exercisable for up to 8,698,920 shares of our common stock at a then-exercise price of \$40.00. Both the A Warrants and the B Warrants are exercisable in whole or in part and at any time up to and including January 30, 2015, to the extent permitted by applicable law and regulation.

Warrants issued to Warburg Pincus in connection with backstop of our February public offering. On February 6, 2008, Warburg Pincus and we entered into an amended and restated investment agreement pursuant to which Warburg Pincus agreed to backstop our public offering of common stock for cash, which closed on February 13, 2008, and which we refer to as the February public offering. In connection with this agreement, Warburg Pincus and its affiliate acquired B-2 warrants, which we refer to as the B-2 Warrants, which, upon the approval of our shareholders, will become exercisable for up to an aggregate of 4,000,000 shares of our common stock at an exercise price of \$16.20 per share. The B-2 Warrants are exercisable in whole or in part and at any time up to and including February 6, 2015, to the extent permitted by applicable law and regulation.

We refer to the A Warrants, the B Warrants and the B-2 Warrants, collectively, as the Warrants.

Anti-Dilution Adjustments. The Warrants are subject to specified anti-dilution adjustments to take into account, among other things, future issuances of our common stock. Following the consummation of the February public offering, and the resulting anti-dilution adjustments in respect of the B Warrants and the A Warrants, the B Warrants became exercisable, subject to our shareholders' approval, for up to an additional 2,394,830 shares of common stock, and the exercise price was adjusted to \$30.25, and the A Warrants became exercisable for up to an additional 2,803,784 shares of common stock, and the exercise price was adjusted to \$30.25. However, the exercise of A Warrants resulting in Warburg Pincus owning 20% or more of our common stock outstanding on the date of the investment agreement, which we estimate is A Warrants for the purchase of approximately 2.75 million shares of common stock, is subject to shareholder approval. We refer to this portion of the additional A Warrants as the approval anti-dilution A Warrants. Subject to the shareholder approval, after

these anti-dilution adjustments, the B Warrants are exercisable to purchase up to 9,824,942 shares of our common stock and the A Warrants (including the approval anti-dilution A Warrants) are exercisable to purchase up to 11,502,704 shares of our common stock.

Exercise for Cash. Prior to our shareholders approving the exercise of the B Warrants, the approval anti-dilution A Warrants and the B-2 Warrants for shares of our common stock, such warrants can only be exercised for cash in lieu of shares, in an amount equal to the product of (1) the number of shares of our common stock that would have otherwise been issuable in respect of their cashless exercise and (2) the market price of our common stock on the trading day prior to the date on which Warburg Pincus or its affiliate, as applicable, delivers such warrants and a notice of exercise to us. We refer to this formula as the cash exercise formula. Were Warburg Pincus or its affiliate to exercise such warrants for cash, we may deliver payment to Warburg Pincus on an equal quarterly basis over the course of one year, with the first of such payment being paid no more than three business days following exercise by Warburg Pincus or its affiliate.

Common stock ownership of Warburg Pincus and its affiliate. As a result of the Warburg Pincus investment and Warburg Pincus and its affiliate's purchase of shares of our common stock in our February public offering, Warburg Pincus and its affiliate acquired an aggregate of 40,820,391 shares of our common stock, or approximately 17.3% of our issued and outstanding common stock as of the date of this proxy. 16,129,032 of such shares were acquired in connection with the Warburg Pincus investment and 24,691,359 shares were acquired in our February public offering.

Of the 40,820,391 shares of our common stock acquired by Warburg Pincus and its affiliate, 25,328,822 of such shares are currently held in voting trusts pending approvals of state insurance regulatory authorities in New York and Illinois required to be obtained by Warburg Pincus. Pending such approvals, the shares held in voting trusts will be voted in all matters in proportion to the votes of all other shares of our outstanding common stock.

In the event that Warburg Pincus and its affiliate were able to exercise all of the A Warrants, B Warrants and B-2 Warrants for shares of our common stock, Warburg Pincus and its affiliates would own in the aggregate, on a pro forma basis after giving effect to such issuances, approximately 25.3% of the common stock of our company.

New York Stock Exchange rules Exercise of the B Warrants, the approval anti-dilution A Warrants and the B-2 Warrants. Under the rules of the New York Stock Exchange, except in limited circumstances, shareholder approval is required prior to the issuance of securities exercisable for common stock, if the number of shares of common stock to be issued upon such exercise is, or will be upon issuance, equal to or in excess of 20% of the number of shares outstanding prior to such issuance, or if the common stock to be issued upon such exercise has, or will upon issuance have, voting power equal to or in excess of 20% of the voting power outstanding prior to such issuance.

In addition, the rules of the New York Stock Exchange provide that except in limited circumstances, shareholder approval is required prior to the issuance of securities exercisable for common stock to a related party, if the number of shares of common stock to be issued upon such exercise is, or will be upon issuance, equal to or in excess of 1% of the number of shares outstanding prior to such issuance, or if the common stock to be issued upon such exercise has, or will upon issuance have, voting power equal to or in excess of 1% of the voting power outstanding prior to such issuance. Warburg Pincus and its affiliates are currently related parties of us.

Consequently, under the above described rules of the New York Stock Exchange, approval of our shareholders is required for the B Warrants, B-2 Warrants and the approval anti-dilution A Warrants to become exercisable for shares of our common stock. Accordingly, the B Warrants, the B-2 Warrants and the approval anti-dilution A Warrants are currently exercisable only for cash in accordance with the cash exercise formula.

Consequences of the failure to approve this proposal. In the event that our shareholders do not approve the proposal set forth below, Warburg Pincus would continue to have the right to exercise for cash the B Warrants,

the B-2 Warrants, and the approval anti-dilution A Warrants. Upon exercise, Warburg Pincus or its affiliate, as applicable, would receive cash according to the cash exercise formula. The exercise for cash of all of Warburg Pincus and its affiliate's warrants currently exercisable only for cash payment, depending on the price per share of our common stock on the trading day preceding such exercise, could adversely impact our liquidity and cash on hand, even though we are permitted to deliver payment to Warburg Pincus and its affiliate on an equal quarterly basis over the course of one year with the first such payment being paid no more than three business days following exercise by Warburg Pincus or its affiliate.

We have also agreed that, in the event that our shareholders do not approve the convertibility into common stock of the B Warrants and the B-2 Warrants at this annual meeting, we will include a proposal for such approval at a meeting of our shareholders no less than once per annual period until such approval is obtained. We would expect to include a similar proposal regarding the A Warrants not currently exercisable for shares of our common stock in the event the proposal is not approved at this annual meeting.

The Proposal.

A vote FOR the proposal is a vote to approve the right of Warburg Pincus or its affiliate (and any subsequent transferee) to exercise, for shares of our common stock, the B Warrants, the B-2 Warrants, the approval anti-dilution A Warrants, and any additional shares for which any of the warrants become exercisable pursuant to the certificates governing the B Warrants, the B-2 Warrants and the A Warrants.

The table below shows the number of shares for which each of the Warrants is currently exercisable (row 1), the number of shares for which each of the Warrants is currently exercisable for cash in accordance with the cash exercise formula (row 2), the number of shares for which each of the Warrants will become exercisable if shareholders approve this proposal (row 3), and the exercise price for each of the Warrants (row 4), in each case subject to specified anti-dilution adjustments to take into account, among other things, future issuances of our common stock, in accordance with the terms of the Warrants. You are being asked to approve the right of Warburg Pincus or its affiliate (and any subsequent transferee) to exercise, for shares of our common stock in the amounts shown in row 2 below, the B Warrants, the B-2 Warrants, the approval anti-dilution A Warrants, and any additional shares for which any of the warrants become exercisable pursuant to the certificates governing the B Warrants, the B-2 Warrants and the A Warrants. You are not being asked to take any action with respect to the A Warrants, to the extent currently exercisable for shares (row 1), or the exercise price for the Warrants (row 4), which are shown for informational purposes only.

	A Warrants	B Warrants	B-2 Warrants
1. Number of shares for which currently exercisable	8,755,499		
2. Number of shares for which currently exercisable for cash	2,747,205	9,824,942	4,000,000
3. Number of shares for which exercisable after shareholder approval	11,502,704	9,824,942	4,000,000
4. Exercise price	\$ 30.25	\$ 30.25	\$ 16.20

If all of the A Warrants, B Warrants and B-2 Warrants were exercised for common stock, Warburg Pincus and its affiliates would hold, on a pro forma basis after giving effect to such issuances as of the date hereof, approximately 25.3% of the common stock of our company. Until the insurance regulatory approvals noted above are obtained, the voting power of such shares issued upon conversion of the warrants would be deposited in a voting trust to the extent that Warburg Pincus and its affiliate's aggregate voting power would be equal to or in excess of 10% of the total voting power of our common stock. Following such approvals, Warburg Pincus and its affiliate would be entitled to full voting power in respect of all of the shares they own.

Warburg Pincus and its affiliate currently have the power to vote 15,491,569 shares of our common stock, or approximately 6.6% of our aggregate outstanding common stock, assuming that Warburg Pincus does not exercise for common stock any of its A Warrants it is eligible to so exercise prior to the shareholder meeting.

The preceding summary of certain material features of the B Warrants, the B-2 Warrants and the A Warrants does not purport to include all of the information regarding them that may be important to your decision regarding this proposal. Copies of the A Warrants, B Warrants and the B-2 Warrants are included as Exhibits A, B, C and D, respectively, and you should read the warrants carefully before casting your vote.

Vote Necessary to Approve the Issuance of Shares of Common Stock Issuable Upon Exercise of the Subject Warrants

The approval of this proposal requires that the votes cast by shareholders favoring approval exceed the votes cast opposing the proposal. Abstentions from voting on the proposal and broker non-votes will have no effect on the outcome. If Warburg Pincus and its affiliate vote in favor of this proposal, 6.6% of our total outstanding stock will have voted in favor of the proposal.

The Board of Directors unanimously recommends a vote FOR approval of Proposal 2.

PROPOSAL 3: APPROVAL OF RESTRICTED STOCK AWARDS TO JOSEPH W. BROWN

In order to align Joseph W. Brown's interests with those of shareholders and to establish substantial performance hurdles to his compensation, the Compensation and Organization Committee approved, subject to shareholder approval, a performance-vesting restricted stock award of 1,634,000 shares to be granted to Mr. Brown on the date the shareholders approve of the award (the first grant), and provided he remains continuously employed with the company through February 18, 2009 an additional award to be granted on February 18, 2009 equal to \$5 million divided by the average market value per share for the 20 trading days immediately preceding February 18, 2009 (the second grant). Both awards are subject to shareholder approval at the 2008 annual meeting. If shareholders do not approve of the awards, they will not be granted to Mr. Brown. In connection with the award of restricted stock to Mr. Brown, Mr. Brown agreed to cancel his outstanding 2,500,000 stock options. Mr. Brown will not be eligible for any other long-term incentive awards on or before February 18, 2013.

The following summary of the awards is qualified in its entirety by reference to the complete text of the Restricted Stock Award Agreement, which is attached to this proxy statement as Exhibit E.

Vesting of Awards

In general, the first grant and the second grant will fully vest if, on or before February 18, 2013, the Company's average closing share price over any 20 consecutive business day period equals or exceeds \$40.

If the first grant does not vest prior to February 18, 2013, it will vest at that time on a pro rata basis, to the extent that the average closing share price over the prior 20 business days is between \$16.20 and \$40.00 (inclusive) per share based on the following schedule:

Value Per Share	Percentage Vested
\$16.20 or less	0%
\$20.96	20%
\$25.72	40%
\$30.48	60%
\$35.24	80%
\$40 or more	100%

If the second grant does not vest prior to February 18, 2013, it will vest at that time on a pro rata basis to the extent that the average closing share price over the prior 20 business days is between

the larger of \$16.20 *and* the 20-day average price used to determine the number of shares for the second grant and

\$40.00

with intermediate values will be determined by linear interpolation (so that if, for example, the average closing share price over the 20 business days prior to February 18, 2013 is \$20.00, the values per share in the left hand column in the table above would be deemed to be \$20.00, \$24.00, \$28.00, \$32.00, \$36.00 and \$40.00, respectively).

For purposes of applying the above table, levels of vesting will be determined by linear interpolation (for example, a value per share of \$28.10 will yield 50% vesting for the first grant).

Termination of Employment.

If Mr. Brown's employment with the Company terminates by mutual written agreement, due to his death or disability, by the Company not for cause or by Mr. Brown for good reason, the first grant and the second grant will both vest on a pro rata basis to the extent that the average closing share price over the 20 business days before the date of such termination is between \$16.20 (adjusted as described above for the second grant) and \$40.00 per share, and the remaining shares under the awards thereafter will remain subject to vesting on or before February 18, 2013 as described above. Any portion of the first grant and second grant that remains unvested after February 18, 2013 shall be forfeited and shall not thereafter vest.

If Mr. Brown's employment is terminated for any other reason, he will forfeit the awards to the extent not previously vested.

The Company would have cause to terminate Mr. Brown's employment if he is convicted of a felony involving moral turpitude or he engages in conduct that constitutes willful gross neglect or willful gross misconduct in carrying out his duties for the Company, resulting, in either case, in material economic harm to the Company, unless he believed in good faith that such conduct was in, or not opposed to, the best interests of the Company.

Mr. Brown would have good reason to resign if, without his prior written consent:

he is not elected or reelected as a member of the Board, or as Chairman and Chief Executive Officer, or he is removed from any such positions other than in connection with his actual termination of employment by the Company for cause;

he is assigned duties or responsibilities that are not commensurate with his position as Chairman and Chief Executive Officer, or there is any material diminution in his duties or authorities as Chairman and Chief Executive Officer, or any change in the reporting structure so that he reports to any person or entity other than the Board; or

the Company materially breaches any material obligation to Mr. Brown that is not cured by the Company within 10 days of receipt of written notice from Mr. Brown.

Restrictions on transfer

In general, Mr. Brown may not dispose of the first grant or the second grant until the later of February 18, 2013 and one year after he ceases to be an employee. However, he may dispose of the awards by will or the laws of descent or he may transfer the awards to any immediate family member or to any trust, the sole beneficiaries

of which are Mr. Brown and/or his immediate family members, or to any entity in which Mr. Brown, his immediate family members or trusts solely for the benefits of such persons hold all the beneficial interests, provided that the transferees agree to be bound by the provisions of this Restricted Stock Award Agreement.

Equitable Adjustments

In the event of any merger, consolidation, reorganization, recapitalization, spin-off, split-up, combination, share exchange, liquidation, dissolution, stock split, extraordinary cash dividend, stock dividend, distribution of stock or other property in respect of the shares or other securities of the Company, or other change in corporate structure or capitalization affecting the shares, the Board or a duly authorized committee thereof will make appropriate adjustment(s) to the terms and conditions of the first grant and the second grant so as to avoid dilution or enlargement of Mr. Brown's rights represented by the awards.

Change in Control

If there is a change in control of the Company before February 18, 2013, the first grant will vest (if not already vested) at that time on a pro rata basis, to the extent that the price immediately before the change of control is between \$16.20 and \$40.00 (inclusive) per share based on the following schedule:

Value Per Share	Percentage Vested
\$16.20 or less	0%
\$20.96	20%
\$25.72	40%
\$30.48	60%
\$35.24	80%
\$40 or more	100%

If there is a change in control of the Company before February 18, 2013, the second grant will vest (if not already vested) at that time on a pro rata basis, to the extent that the price immediately before the change of control is between

the larger of \$16.20 and the 20-day average price used to determine the number of shares for the second grant and

\$40.00

with intermediate values will be determined by linear interpolation (so that if, for example, the price immediately before the change of control is \$20.00, the values per share in the left hand column in the table above would be deemed to be \$20.00, \$24.00, \$28.00, \$32.00, \$36.00 and \$40.00, respectively).

For purposes of applying the above table, levels of vesting will be determined by linear interpolation (for example, a value per share of \$28.10 will yield 50% vesting for the first grant).

The remaining shares under the awards after a change in control will remain subject to vesting on or before February 18, 2013 based upon the general vesting schedule described above.

Mr. Brown will, at the time of a change in control, be permitted to sell the portion of the awards that have previously vested or become vested upon the change in control.

In the event that any payment or benefit made or provided to or for the benefit of Mr. Brown under the Restricted Stock Award Agreement, or under any other plan, agreement, program or arrangement of the company or any of its affiliates or any entity effecting a change in control of the Company, is determined to be subject to any excise tax imposed by Section 4999 of the Internal Revenue Code of 1986 as amended, the Company will

pay to Mr. Brown an additional amount which, after the imposition of all income, employment, excise and other taxes payable by Mr. Brown on such additional payment, is equal to the sum of the excise tax plus any penalty and interest assessments associated with such excise tax.

For these purposes, change in control means the occurrence of any of the following events:

either any person, excluding Warburg Pincus and its affiliates, becomes a beneficial owner of 25% or more of the voting securities of the Company, measured either by number of securities or by voting power, or Warburg Pincus and its affiliates become the beneficial owners of 50% or more of such voting securities;

a majority of the Board (or any successor governing body) consists of individuals other than incumbent directors, which term means the members of the Board who were serving on the Board on February 18, 2008, provided that any individual who becomes a member subsequent to that date whose election or nomination for election was supported by two-thirds of the directors who then comprised the incumbent directors will be considered to be an incumbent director;

the Board (or any successor governing body) adopts any plan of liquidation providing for the distribution of all or substantially all of the Company's assets;

the security holders of the Company approve a merger, consolidation, share or security exchange, division, sale or other disposition of all or substantially all of the business or assets of the Company, as a result of which the security holders of the Company immediately prior to such event do not hold, directly or indirectly, immediately following such event, a majority of the voting securities of the surviving, resulting or acquiring entity; or

the Company ceases to be a publicly held corporation within the meaning of Section 162(m)(2) of the Internal Revenue Code whose shares are listed, or eligible for sale, on a national securities exchange or national market system.

Restrictive covenants

The restricted Stock Award Agreement subjects Mr. Brown to a five-year non-competition, non-hire and non-solicit of the Company's employees, and non-solicit of the Company's customers.

Shareholder rights

Mr. Brown will have, with respect to all of the restricted stock granted to him, the right to vote such stock and the right to receive cash and other dividends, if any, as may be declared on the stock from time to time. Any securities issued to or received by Mr. Brown in respect of the restricted stock as a result of a stock split, a dividend payable in capital stock or other securities, a combination of shares or any other change or exchange of the restricted stock for other securities, by reclassification, reorganization, distribution, liquidation, merger, or consolidation, or otherwise, will be subject to the same restrictions on transfer and vesting as the restricted stock.

New Plan Benefits

No executive officers or directors other than Mr. Brown will receive any benefits or amounts with respect to the restricted stock awards proposed to be granted to Mr. Brown. Mr. Brown will be granted 1,634,000 shares on the date shareholder approval is received. Subject to his continuous employment, Mr. Brown will also receive an additional award to be granted on February 18, 2009 equal to \$5 million divided by the average market value per share for the 20 trading days immediately preceding February 18, 2009.

Description of Federal Income Tax Consequences of the Restricted Stock Awards.

The following discussion summarizes the Federal income tax consequences of the restricted stock awards based on current provisions of the Internal Revenue Code, which are subject to change. The summary does not cover any state or local tax consequences.

Unless Mr. Brown makes the election described below, the grant of restricted stock will not result in taxable income to him or a deduction to the Company in the year of grant. The value of such restricted stock will be taxable to Mr. Brown as ordinary income in the year in which the forfeiture or transfer restrictions lapse. Alternatively, Mr. Brown may elect to treat as income in the year of grant the fair market value of the restricted stock on the date of grant, provided he makes the election within 30 days after the date of such grant. If he were to make such an election, he would not be allowed to deduct at a later date the amount included as taxable income if he should forfeit the shares of restricted stock. The amount of ordinary income recognized by Mr. Brown is deductible by us in the year such income is recognized by Mr. Brown. If the election described above is not made, then prior to the lapse of restrictions, dividends paid on the shares subject to such restrictions will be taxable to Mr. Brown as additional compensation in the year received, and we will be allowed a corresponding deduction. (The restricted stock is intended to qualify as performance-based compensation for purposes of Section 162(m) of the Code, and thus should not be subject to the \$1 million annual limit on deductible compensation paid to covered employees.)

Vote necessary to approve the Restricted Stock Awards

The approval of the restricted stock awards requires that the votes cast by shareholders favoring approval exceed the votes cast opposing approval. Abstentions from voting on the proposal and broker non-votes will have no effect on the outcome.

The Board of Directors has adopted and recommends unanimously that you vote FOR approval of the restricted stock awards to Mr. Brown.

PROPOSAL 4: SELECTION OF INDEPENDENT AUDITORS

Since its founding in 1986, MBIA has used PricewaterhouseCoopers LLP (PwC) as its independent auditor. From 1974 to 1986, PwC served the same role for MBIA's predecessor organization, the Municipal Bond Insurance Association. During 2007, PwC examined the accounts of the Company and its subsidiaries and also provided tax advice and other services to the Company in connection with its Securities and Exchange Commission filings. In accordance with independence rules regarding the rotation of audit engagement partners, in 2008, PwC has assigned a new audit engagement partner to oversee the audit of MBIA's financial statements.

Upon recommendation of the Audit Committee, the Board has appointed PwC as the independent auditors of the Company for 2008, subject to shareholder approval.

We expect that one or more representatives of PwC will be available at the annual meeting to make a statement, if desired, and to answer questions from those shareholders present.

Vote Necessary to Hire PwC as Auditors

The approval to hire PricewaterhouseCoopers LLP as independent auditors for the Company requires that the votes cast by shareholders favoring approval exceed the votes cast opposing approval. Abstentions from voting on the proposal and broker non-votes will have no effect on the outcome.

The Board of Directors recommends unanimously that you vote FOR this proposal to hire PricewaterhouseCoopers LLP as independent auditors for the Company.

OTHER MATTERS/SHAREHOLDER PROPOSALS

The Board knows of no other business to be brought before the meeting other than what is set forth above. If other matters are introduced at the meeting, the individuals named as proxies on the enclosed proxy card are also authorized to vote upon such matters using their own discretion.

Shareholder proposals intended for inclusion in the proxy materials for the Company's 2009 annual meeting of shareholders must be received by the Company's Secretary no later than December 3, 2008, which is 120 days prior to the anniversary of the mailing date for this proxy statement. Under the terms of the Company's By-Laws, shareholders who wish to present an item of business at the 2009 annual meeting must provide notice to the Secretary of the Company at the Company's principal executive offices not less than 60 days nor more than 90 days prior to the annual meeting (or if the Company does not publicly announce its annual meeting date 70 days in advance of such meeting date, by the close of business on the tenth day following the day on which notice of the meeting date is mailed to shareholders or publicly made).

If the Company does not receive notice of an item of business to be presented at the annual meeting before February 16, 2009 (45 days prior to the anniversary of the mailing date of this year's proxy statement), then the Company retains discretion to vote proxies for or against any such item as the Board of Directors sees fit.

HOUSEHOLDING OF ANNUAL MEETING MATERIALS

The Securities and Exchange Commission permits companies to send a single copy of their annual report and proxy statement to any household at which two or more shareholders reside if it appears that they are members of the same family. Each shareholder residing in the same household, however, will continue to receive a separate proxy card or voting instruction form. This procedure, referred to as householding, is intended to reduce the volume of duplicate information that shareholders receive and reduce mailing and printing costs. A number of brokerage firms have instituted householding. Only one copy of this proxy statement and the attached annual report will be sent to certain beneficial shareholders who share a single address, unless any shareholder residing at that address requested that multiple sets of documents be sent. If shareholders received one set of materials due to householding, they may revoke their consent for future mailings at any time and may request that a separate set of materials be sent to them by contacting Broadridge, either by calling toll-free at 1-800-542-1061, or by writing to Broadridge, Household Department, 51 Mercedes Way, Edgewood, NY 11717.

By Order of the Board of Directors,

Ram D. Wertheim
Secretary

[Copy]

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO TRANSFER AND OTHER RESTRICTIONS SET FORTH IN AN INVESTMENT AGREEMENT, DATED AS OF DECEMBER 10 2007, COPIES OF WHICH ARE ON FILE WITH THE SECRETARY OF THE ISSUER.

WARRANT

to purchase

8,698,920

Shares of Common Stock

dated as of January 30, 2008

MBIA INC.

a Connecticut Corporation

Issue Date: January 30, 2008

1. *Definitions.* Unless the context otherwise requires, when used herein the following terms shall have the meanings indicated.
Additional Shares has the meaning given to it in Section 3.

Affiliate means, with respect to any Person, any Person directly or indirectly controlling, controlled by or under common control with, such other person, *provided*, that with respect to the Company, also includes Channel Reinsurance Ltd. For purposes of this definition, control (including, with correlative meanings, the terms controlled by and under common control with) when used with respect to any Person, means the possession, directly or indirectly, of the power to cause the direction of management or policies of such person, whether through the ownership of voting securities by contract or otherwise.

Applicable Price means the greater of (A) the greater of the Market Price per share of outstanding Common Stock on (i) the date on which the Company issues or sells any Common Stock other than Excluded Stock or (ii) the first date of the announcement of such issuance or sale or (B) the Buy-In Price.

Appraisal Procedure means a procedure whereby two independent appraisers, one chosen by the Company and one by the Warrantholder (or if there is more than one Warrantholder, a majority in interest of Warrantholders), shall mutually agree upon the determinations then the subject of appraisal. Each party shall deliver a notice to the other appointing its appraiser within fifteen (15) days after the Appraisal Procedure is invoked. If within thirty (30) days after appointment of the two appraisers they are unable to agree upon the amount in question, a third independent appraiser shall be chosen within ten (10) days thereafter by the mutual consent of such first two appraisers or, if such first two appraisers fail to agree upon the appointment of a third appraiser, such appointment shall be made by the American Arbitration Association, or any organization successor thereto, from a panel of arbitrators having experience in the appraisal of the subject matter to be appraised. The decision of the third appraiser so appointed and chosen shall be given within

thirty (30) days after the selection of such third appraiser. If three appraisers shall be appointed and the determination of one appraiser is disparate from the middle determination by more than twice the amount by which the other determination is disparate from the middle determination, then the determination of such appraiser shall be excluded, the remaining two determinations shall be averaged and such average shall be binding and conclusive on the Company and the Warranholder; otherwise, the average of all three determinations shall be binding and conclusive on the Company and the Warranholder. The costs of conducting any Appraisal Procedure shall be borne by the Warranholder requesting such Appraisal Procedure, except (A) the fees and expenses of the appraiser appointed by the Company and any other costs incurred by the Company shall be borne by the Company and (B) if such Appraisal Procedure shall result in a determination that is disparate by 5% or more from the Company's initial determination, all costs of conducting such Appraisal Procedure shall be borne by the Company.

Beneficially Own, *Beneficial Owner* and *Beneficial Ownership* are defined in Rules 13d-3 and 13d-5 of the Exchange Act.

Board means the Board of Directors of the Company.

Board Representatives means the two people nominated by the Investor to be elected or appointed, subject to satisfaction of all legal and governance requirements regarding service as a director of the Company, to the Board on the Closing Date (as defined in the Investment Agreement).

Business Combination means a merger, consolidation, statutory share exchange or similar transaction that requires adoption by the Company's stockholders.

Business Day means any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

Buy-In Price means the price per share at which the Investor acquires each share of Common Stock pursuant to Section 1.2(a)(2) of the Investment Agreement.

Capital Stock means (A) with respect to any Person that is a corporation or company, any and all shares, interests, participations or other equivalents (however designated) of capital or capital stock of such Person and (B) with respect to any Person that is not a corporation or company, any and all partnership or other equity interests of such Person.

Change of Control means, with respect to the Company, the occurrence of any one of the following events:

- (A) the Incumbent Directors cease for any reason to constitute at least a majority of the Board; *provided*, that any person becoming a director subsequent to the date of the Investment Agreement whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the relevant party in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director (except that no individuals who were not directors at the time any agreement or understanding with respect to any Business Combination or contested election is reached shall be treated as Incumbent Directors for the purposes of clause (C) below with respect to such Business Combination or this paragraph in the case of a contested election); *provided, further*, that the Board Representatives will be treated as an Incumbent Directors even if the Persons designated to be such Board Representatives should change;
- (B) any Person is or becomes a Beneficial Owner (other than the Investor and its Affiliates), directly or indirectly, of 50% of the aggregate voting power of the Voting Securities; *provided, however*, that the event described in this clause (B) will not be deemed a Change of Control by virtue of any holdings or acquisitions: (i) by the Company or any of its Subsidiaries, (ii) by any employee

benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries; *provided*, that such holdings or acquisitions by any such plan (other than any plan maintained under Section 401(k) of the Internal Revenue Code of 1986, as amended) do not exceed 50% of the then outstanding Voting Securities, (iii) by any underwriter temporarily holding securities pursuant to an offering of such securities or (iv) pursuant to a Non-Qualifying Transaction;

(C) a Business Combination, to the extent it is not a Non-Qualifying Transaction; or

(D) a plan of liquidation or dissolution of the Company or a sale of all or substantially all of the Company's assets.

Common Stock means the Company's common stock, par value \$1.00 per share, and any Capital Stock for or into which such Common Stock hereafter is exchanged, converted, reclassified or recapitalized by the Company or pursuant to an agreement or Business Combination to which the Company is a party.

Company means MBIA Inc., a Connecticut corporation.

Exchange Act means the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

Excluded Stock means (A) shares of Common Stock issued by the Company as a stock dividend payable in shares of Common Stock, or upon any subdivision or split-up of the outstanding shares of Capital Stock in each case which is subject to Section 13(B), or upon conversion of shares of Capital Stock (but not the issuance of such Capital Stock which will be subject to the provisions of Section 13(A)) and (B) shares of Common Stock to be issued to employees, consultants and advisors of the Company pursuant to options granted prior to the date of issuance of this Warrant and pursuant to options granted after the date of issuance of this Warrant if the exercise price per share of Common Stock on the date of such grant equals or exceeds the Market Price of a share of Common Stock on the date of such grant.

Exercise Price has the meaning given to it in Section 2.

Expiration Time has the meaning given to it in Section 3.

Governmental Entities has the meaning given to it in Section 2.2(d) of the Investment Agreement.

Group means a group as contemplated by Section 13(d)(3) of the Exchange Act.

Incumbent Directors means individuals who on the date of the Investment Agreement constitute the Board.

Investment Agreement means the Investment Agreement, dated as of December 10, 2007, between the Company and the Investor, including all schedules and exhibits thereto.

Investor means Warburg Pincus Private Equity X, L.P.

Market Price means, with respect to a particular security, on any given day, the last reported sale price regular way or, in case no such reported sale takes place on such day, the average of the last closing bid and ask prices regular way, in either case on the principal national securities exchange on which the applicable securities are listed or admitted to trading, or if not listed or admitted to trading on any national securities exchange, (A) the closing sale price for such day reported by the Nasdaq Stock Market if such security is traded over-the-counter and quoted in the Nasdaq Stock Market, or (B) if such security is so traded, but not so quoted, the average of the closing reported bid and ask prices of such security as reported by the Nasdaq Stock Market or any comparable system, or (C) if such security is not listed on the Nasdaq Stock Market or any comparable system, the average of the closing bid and ask prices as furnished by two members of the National Association of Securities Dealers, Inc. selected from time to time by the Company for that purpose. If such security is not listed and traded in a manner that the quotations referred to above are available for the period required hereunder, the Market Price per share of Common Stock shall be deemed to be the fair value per share of such security as determined in good faith by the Board of Directors of the Company.

Non-Qualifying Transaction means any Business Combination that satisfies all of the following criteria: (A) more than 50% of the total voting power of the surviving corporation resulting from a Business Combination, or, if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the surviving corporation, is represented by Voting Securities that were outstanding immediately before such Business Combination (or, if applicable, is represented by shares into which such Voting Securities were converted pursuant to such Business Combination) and (B) at least a majority of the members of the board of directors of the parent corporation (or, if there is no parent corporation, the surviving corporation) following the consummation of the Business Combination were Incumbent Directors at the time the Company's Board approved the execution of the initial agreement providing for such Business Combination.

Ordinary Cash Dividends means a regular quarterly cash dividend out of surplus or net profits legally available therefor (determined in accordance with generally accepted accounting principles, consistently applied) and consistent with past practice.

Person has the meaning given to it in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act.

Preliminary Control Event means, with respect to the Company, (A) the execution of definitive documentation for a transaction or (B) the recommendation that stockholders tender in response to a tender or exchange offer, that could reasonably result in a Change of Control upon consummation.

Pro Rata Repurchases means any purchase of shares of Common Stock by the Company or any Affiliate thereof pursuant to any tender offer or exchange offer subject to Section 13(e) of the Exchange Act, or pursuant to any other offer available to substantially all holders of Common Stock, whether for cash, shares of Capital Stock of the Company, other securities of the Company, evidences of indebtedness of the Company or any other person or any other property (including, without limitation, shares of Capital Stock, other securities or evidences of indebtedness of a subsidiary of the Company), or any combination thereof, effected while this Warrant is outstanding; *provided*, however, that *Pro Rata Repurchase* shall not include any purchase of shares by the Company or any Affiliate thereof made in accordance with the requirements of Rule 10b-18 as in effect under the Exchange Act. The *Effective Date* of a Pro Rata Repurchase shall mean the date of acceptance of shares for purchase or exchange under any tender or exchange offer which is a Pro Rata Repurchase or the date of purchase with respect to any Pro Rata Repurchase that is not a tender or exchange offer.

Rights Offering has the meaning given to it in Section 4.10(a) of the Investment Agreement.

Securities has the meaning given to it in the recitals of the Investment Agreement.

Securities Act means the Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

Shares is defined in Section 2.

Subsidiary of a Person means those corporations, banks, savings banks, associations and other Persons of which such Person owns or controls 51% or more of the outstanding equity securities either directly or through an unbroken chain of entities, as to each of which 51% or more of the outstanding equity securities is owned directly or indirectly by its parent; *provided, however*, that there shall not be included any such entity to the extent that the equity securities of such entity were acquired in satisfaction of a debt previously contracted in good faith or are owned or controlled in a *bona fide* fiduciary capacity.

Voting Securities means the Company's then outstanding securities eligible to vote for the election of directors.

Warrantholder has the meaning given to it in Section 2.

Warrants means this Warrant, issued to the Investor pursuant to the Investment Agreement.

2. *Number of Shares; Exercise Price.* This certifies that, for value received, Warburg Pincus Private Equity X, L.P., its affiliates or its registered assigns (the *Warrantholder*) is entitled, upon the terms and subject to the conditions hereinafter set forth, to acquire from the Company, in whole or in part, up to an aggregate of 8,698,920 fully paid and nonassessable shares of Common Stock, par value \$1.00 per share (the *Shares*), of the Company, at a purchase price of \$40.00 per Share (the *Exercise Price*). The number of Shares and the Exercise Price are subject to adjustment as provided herein, and all references to *Shares*, *Common Stock* and *Exercise Price* herein shall be deemed to include any such adjustment or series of adjustments.
3. *Exercise of Warrant; Term.* To the extent permitted by applicable laws and regulations, including but not limited to the insurance laws of the States of New York and Illinois, the right to purchase the Shares represented by this Warrant are exercisable, in whole or in part by the Warrantholder, at any time or from time to time after 9:00 a.m., New York City time, on the date hereof, but in no event later than 11:59 p.m., New York City time, on the seventh anniversary of the date of issuance of the Warrant (the *Expiration Time*), by (A) the surrender of this Warrant and Notice of Exercise annexed hereto, duly completed and executed on behalf of the Warrantholder, at the office of the Company in Armonk, New York (or such other office or agency of the Company in the United States as it may designate by notice in writing to the Warrantholder at the address of the Warrantholder appearing on the books of the Company), and (B) payment of the Exercise Price for the Shares thereby purchased at the election of the Warrantholder in one of the following manners:
- (i) by tendering in cash, by certified or cashier's check or by wire transfer payable to the order of the Company; or
 - (ii) by having the Company withhold shares of Common Stock issuable upon exercise of the Warrant equal in value to the aggregate Exercise Price as to which this Warrant is so exercised based on the Market Price of the Common Stock on the trading day prior to the date on which this Warrant and the Notice of Exercise are delivered to the Company.
- If the Warrantholder does not exercise this Warrant in its entirety, the Warrantholder will be entitled to receive from the Company within a reasonable time, and in any event not exceeding three (3) Business Days, a new warrant in substantially identical form for the purchase of that number of Shares equal to the difference between the number of Shares subject to this Warrant and the number of Shares as to which this Warrant is so exercised. Notwithstanding anything in this Warrant to the contrary, in the event that the issuance of shares of Common Stock pursuant to an adjustment under Section 13 of this Warrant (the *Additional Shares*), or any other aspect of an adjustment to this Warrant made pursuant to Section 13 of this Warrant, cannot be made without a shareholder vote as a result of the application of Rule 312 of the New York Stock Exchange Listing Manual, the Warrantholder shall have the full benefit of the adjustment in Section 13, but the Warrantholder may only exercise this Warrant in the manner permitted by Section 3(B)(ii) with respect to the Additional Shares, and upon any such exercise receive, in lieu of the shares of Common Stock represented by the Additional Shares, cash in an amount equal to the product of (x) the number of shares of Common Stock represented by the Additional Shares that would have been otherwise issuable and (y) the Market Price of the Common Stock on the trading day prior to the date on which this Warrant and the Notice of Exercise are delivered to the Company, such amount being paid by certified or cashier's check or by wire transfer in same day funds no later than the third Business Day following such exercise; *provided*, that the restriction on the Warrantholder in this sentence shall no longer be in effect if it is no longer required by the rules of the New York Stock Exchange; *provided*, further, that at its option, the Company may pay such amount in four quarterly payments, the first payment of which shall be made no more than three (3) Business Days following such exercise by the Warrantholder; *provided*, further, that each such quarterly payment shall not be for an amount less than 25% of the total amount of such aggregate payment obligation (except for the final payment), and in each case, plus interest computed at the Company's borrowing rate under its revolving credit facility.
4. *Issuance of Shares; Authorization; Listing.* Certificates for Shares issued upon exercise of this Warrant will be issued in such name or names as the Warrantholder may designate and will be delivered to such named

Person or Persons within a reasonable time, not to exceed three (3) Business Days after the date on which this Warrant has been duly exercised in accordance with the terms of this Warrant. The Company hereby represents and warrants that any Shares issued upon the exercise of this Warrant in accordance with the provisions of Section 3 will, upon such exercise, be duly and validly authorized and issued, fully paid and nonassessable and free from all taxes, liens and charges (other than liens or charges created by the Warrantholder or taxes in respect of any transfer occurring contemporaneously therewith). The Company agrees that the Shares so issued will be deemed to have been issued to the Warrantholder as of the close of business on the date on which this Warrant and payment of the Exercise Price are delivered to the Company in accordance with the terms of this Warrant, notwithstanding that the stock transfer books of the Company may then be closed or certificates representing such Shares may not be actually delivered on such date. The Company will at all times reserve and keep available, out of its authorized but unissued Common Stock, solely for the purpose of providing for the exercise of this Warrant, the aggregate number of shares of Common Stock issuable upon exercise of this Warrant. The Company will (i) procure, at its sole expense, the listing of the Shares and other securities issuable upon exercise of this Warrant, including but not limited to those Shares issuable pursuant to Section 13 of this Warrant, subject to issuance or notice of issuance on all stock exchanges on which the Common Stock are then listed or traded and (ii) maintain the listing of such Shares after issuance. The Company will use commercially reasonable efforts to ensure that the Shares may be issued without violation of any applicable law or regulation or of any requirement of any securities exchange on which the Shares are listed or traded.

5. *No Fractional Shares or Scrip.* No fractional Shares or scrip representing fractional Shares shall be issued upon any exercise of this Warrant. In lieu of any fractional Share to which the Warrantholder would otherwise be entitled, the Warrantholder shall be entitled to receive a cash payment equal to the Market Price of the Common Stock less the Exercise Price for such fractional share.
6. *No Rights as Shareholders; Transfer Books.* This Warrant does not entitle the Warrantholder to any voting rights or other rights as a shareholder of the Company prior to the date of exercise hereof. The Company will at no time close its transfer books against transfer of this Warrant in any manner which interferes with the timely exercise of this Warrant.
7. *Charges, Taxes and Expenses.* Issuance of certificates for Shares to the Warrantholder upon the exercise of this Warrant shall be made without charge to the Warrantholder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company.
8. *Transfer/Assignment.*
 - (A) Subject to compliance with clause (B) of this Section 8, without obtaining the consent of the Company to assign or transfer this Warrant, this Warrant and all rights hereunder are transferable, in whole or in part, upon the books of the Company by the registered holder hereof in person or by duly authorized attorney, and a new warrant shall be made and delivered by the Company, of the same tenor and date as this Warrant but registered in the name of the transferee, upon surrender of this Warrant, duly endorsed, to the office or agency of the Company described in Section 2. All expenses (other than stock transfer taxes) and other charges payable in connection with the preparation, execution and delivery of the new warrants pursuant to this Section 8 shall be paid by the Company.
 - (B) Notwithstanding the foregoing, this Warrant and any rights hereunder, and any Shares issued upon exercise of this Warrant, shall be subject to the applicable restrictions as set forth in Section 4.2 of the Investment Agreement.
 - (C) Notwithstanding anything herein to the contrary, nothing shall prevent any hedging transactions by the Warrantholder or its transferees.
9. *Exchange and Registry of Warrant.* This Warrant is exchangeable, upon the surrender hereof by the Warrantholder to the Company, for a new warrant or warrants of like tenor and representing the right to purchase the same aggregate number of Shares. The Company shall maintain a registry showing the name

and address of the Warrantholder as the registered holder of this Warrant. This Warrant may be surrendered for exchange or exercise, in accordance with its terms, at the office of the Company, and the Company shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

10. *Loss, Theft, Destruction or Mutilation of Warrant.* Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and in the case of any such loss, theft or destruction, upon receipt of an indemnity or security reasonably satisfactory to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Warrant, the Company shall make and deliver, in lieu of such lost, stolen, destroyed or mutilated Warrant, a new Warrant of like tenor and representing the right to purchase the same aggregate number of Shares as provided for in such lost, stolen, destroyed or mutilated Warrant.
11. *Saturdays, Sundays, Holidays, etc.* If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding day that is a Business Day.
12. *Rule 144 Information.* The Company covenants that it will use its reasonable best efforts to timely file all reports and other documents required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations promulgated by the U.S. Securities and Exchange Commission thereunder (or, if the Company is not required to file such reports, it will, upon the request of any Warrantholder, make publicly available such information as necessary to permit sales pursuant to Rule 144), and it will use reasonable best efforts to take such further action as any Warrantholder may reasonably request, all to the extent required from time to time to enable such holder to sell the Warrants without registration under the Securities Act within the limitation of the exemptions provided by (i) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (ii) any similar rule or regulation hereafter adopted by the Securities and Exchange Commission. Upon the written request of any Warrantholder, the Company will deliver to such Warrantholder a written statement that it has complied with such requirements.
13. *Adjustments and Other Rights.* The Exercise Price and the number of Shares issuable upon exercise of this Warrant shall be subject to adjustment from time to time as follows; *provided*, that no single event shall be subject to adjustment under more than one subsection of this Section 13 so as to result in duplication:
 - (A) *Common Stock Issued at Less than the Applicable Price.* If the Company issues or sells any Common Stock other than Excluded Stock for consideration per share less than the Applicable Price, then the Exercise Price in effect immediately prior to each such issuance or sale will immediately (except as provided below) be reduced to the price determined by multiplying the Exercise Price in effect immediately prior to such issuance or sale by a fraction, (x) the numerator of which shall be (1) the number of shares of Common Stock outstanding immediately prior to such issuance or sale plus (2) the number of shares of Common Stock which the aggregate consideration received by the Company for the total number of such additional shares of Common Stock so issued or sold would purchase at the Applicable Price, and (y) the denominator of which shall be the number of shares of Common Stock outstanding immediately after such issuance or sale. In such event, the number of shares of Common Stock issuable upon the exercise of this Warrant shall be increased to the number obtained by dividing (x) the product of (1) the number of Shares issuable upon the exercise of this Warrant before such adjustment and (2) the Exercise Price in effect immediately prior to the issuance or sale giving rise to this adjustment, by (y) the new Exercise Price determined in accordance with the immediately preceding sentence. For the purposes of any adjustment of the Exercise Price and the number of Shares issuable upon exercise of this Warrant pursuant to this Section 13(A), the following provisions shall be applicable, *provided*, however, no increase in the Exercise Price or reduction in the number of Shares issuable upon exercise of this Warrant shall be made pursuant to subclauses (i) or (ii) of this Section 13(A):
 - (i) In the case of the issuance or sale of Common Stock for cash, the amount of the consideration received by the Company shall be deemed to be the amount of the gross cash proceeds received by the Company for such Common Stock before deducting therefrom any discounts or commissions

allowed, paid or incurred by the Company for any underwriting or otherwise in connection with the issuance and sale thereof.

- (ii) In the case of the issuance or sale of Common Stock (otherwise than upon the conversion of shares of Capital Stock or other securities of the Company) for a consideration in whole or in part other than cash, including securities acquired in exchange therefor (other than securities by their terms so exchangeable), the consideration other than cash shall be deemed to be the fair value thereof as determined by the Board, before deducting therefrom any discounts or commissions allowed, paid or incurred by the Company for any underwriting or otherwise in connection with the issuance and sale thereof, *provided*, however, that such per share fair value as determined by the Board shall not exceed the Applicable Price.

- (iii) In the case of the issuance of (1) options, warrants or other rights to purchase or acquire Common Stock (whether or not at the time exercisable) or (2) securities by their terms convertible into or exchangeable for Common Stock (whether or not at the time so convertible or exchangeable) or options, warrants or rights to purchase such convertible or exchangeable securities (whether or not at the time exercisable):
 - (1) The aggregate maximum number of shares of Common Stock deliverable upon exercise of such options, warrants or other rights to purchase or acquire Common Stock shall be deemed to have been issued at the time such options, warrants or rights are issued and for a consideration equal to the consideration (determined in the manner provided in Section 13(A)(i) and (ii)), if any, received by the Company upon the issuance or sale of such options, warrants or rights plus the minimum purchase price provided in such options, warrants or rights for the Common Stock covered thereby.

 - (2) The aggregate maximum number of shares of Common Stock deliverable upon conversion of or in exchange for any such convertible or exchangeable securities, or upon the exercise of options, warrants or other rights to purchase or acquire such convertible or exchangeable securities and the subsequent conversion or exchange thereof, shall be deemed to have been issued at the time such securities were issued or such options, warrants or rights were issued and for a consideration equal to the consideration, if any, received by the Company for any such securities and related options, warrants or rights (excluding any cash received on account of accrued interest or accrued dividends), plus the additional consideration (in each case, determined in the manner provided in Section 13(A)(i) and (ii)), if any, to be received by the Company upon the conversion or exchange of such securities, or upon the exercise of any related options, warrants or rights to purchase or acquire such convertible or exchangeable securities and the subsequent conversion or exchange thereof.

 - (3) On any change in the number of shares of Common Stock deliverable upon exercise of any such options, warrants or rights or conversion or exchange of such convertible or exchangeable securities or any change in the consideration to be received by the Company upon such exercise, conversion or exchange, but excluding changes resulting from the anti-dilution provisions thereof (to the extent comparable to the anti-dilution provisions contained herein), the Exercise Price and the number of Shares issuable upon exercise of this Warrant as then in effect shall forthwith be readjusted to such Exercise Price and number of Shares as would have been obtained had an adjustment been made upon the issuance or sale of such options, warrants or rights not exercised prior to such change, or of such convertible or exchangeable securities not converted or exchanged prior to such change, upon the basis of such change.

 - (4) On the expiration or cancellation of any such options, warrants or rights (without exercise), or the termination of the right to convert or exchange such convertible or exchangeable securities (without exercise), if the Exercise Price and the number of Shares issuable upon exercise of this Warrant shall have been adjusted upon the issuance or sale thereof, the

Exercise Price and the number of Shares issuable upon exercise of this Warrant shall forthwith be readjusted to such Exercise Price and number of Shares as would have been obtained had an adjustment been made upon the issuance or sale of such options, warrants, rights or such convertible or exchangeable securities on the basis of the issuance of only the number of shares of Common Stock actually issued upon the exercise of such options, warrants or rights, or upon the conversion or exchange of such convertible or exchangeable securities.

- (5) If the Exercise Price and the number of Shares issuable upon exercise of this warrant shall have been adjusted upon the issuance or sale of any such options, warrants, rights or convertible or exchangeable securities, no further adjustment of the Exercise Price and the number of Shares issuable upon exercise of this Warrant shall be made for the actual issuance of Common Stock upon the exercise, conversion or exchange thereof; *provided*, however, that no increase in the Exercise Price or reduction in the number of Shares issuable upon exercise of this Warrant shall be made pursuant to subclauses (1) or (2) of this Section 13(A)(iii).
- (iv) For the avoidance of doubt, (i) the Company's issuance or sale of shares of Common Stock in the Rights Offering to the extent not purchased by the Investor pursuant to Section 4.10 of the Investment Agreement shall be subject to the provisions of this Section 13(A) and (ii) the Company's issuance or sale of shares of Common Stock in the Rights Offering to the extent purchased by the Investor pursuant to Section 4.10 of the Investment Agreement shall not be subject to the provisions of this Section 13(A).
- (B) *Stock Splits, Subdivisions, Reclassifications or Combinations.* If the Company shall (i) declare a dividend or make a distribution on its Common Stock in shares of Common Stock, (ii) subdivide or reclassify the outstanding shares of Common Stock into a greater number of shares, or (iii) combine or reclassify the outstanding Common Stock into a smaller number of shares, the number of Shares issuable upon exercise of this Warrant at the time of the record date for such dividend or distribution or the effective date of such subdivision, combination or reclassification shall be proportionately adjusted so that the Warrantholder after such date shall be entitled to purchase the number of shares of Common Stock which such holder would have owned or been entitled to receive after such date had this Warrant been exercised immediately prior to such date. In such event, the Exercise Price in effect at the time of the record date for such dividend or distribution or the effective date of such subdivision, combination or reclassification shall be adjusted to the number obtained by dividing (x) the product of (1) the number of Shares issuable upon the exercise of this Warrant before such adjustment and (2) the Exercise Price in effect immediately prior to the issuance giving rise to this adjustment by (y) the new number of shares issuable upon exercise of the Warrant determined pursuant to the immediately preceding sentence.
- (C) *Other Distributions.* In case the Company shall fix a record date for the making of a distribution to all holders of shares of its Common Stock (i) of shares of any class other than its Common Stock, (ii) of evidence of indebtedness of the Company or any Subsidiary, (iii) of assets (excluding Ordinary Cash Dividends, and dividends or distributions referred to in Section 13(B)), or (iv) of rights or warrants (excluding those referred to in Section 13(B)), in each such case, the Exercise Price in effect prior thereto shall be reduced immediately thereafter to the price determined by dividing (x) an amount equal to the difference resulting from (1) the number of shares of Common Stock outstanding on such record date multiplied by the Exercise Price per Share on such record date, less (2) the fair market value (as reasonably determined by the Board) of said shares or evidences of indebtedness or assets or rights or warrants to be so distributed, by (y) the number of shares of Common Stock outstanding on such record date; such adjustment shall be made successively whenever such a record date is fixed. In such event, the number of shares of Common Stock issuable upon the exercise of this Warrant shall be increased to the number obtained by dividing (x) the product of (1) the number of Shares issuable upon the exercise of this Warrant before such adjustment, and (2) the Exercise Price in effect immediately prior to the

issuance giving rise to this adjustment by (y) the new Exercise Price determined in accordance with the immediately preceding sentence. In the event that such distribution is not so made, the Exercise Price and the number of Shares issuable upon exercise of this Warrant then in effect shall be readjusted, effective as of the date when the Board determines not to distribute such shares, evidences of indebtedness, assets, rights or warrants, as the case may be, to the Exercise Price that would then be in effect and the number of Shares that would then be issuable upon exercise of this Warrant if such record date had not been fixed.

- (D) *Certain Repurchases of Common Stock.* In case the Company effects a Pro Rata Repurchase of Common Stock, then the Exercise Price shall be reduced to the price determined by multiplying the Exercise Price in effect immediately prior to the effective date of such Pro Rata Repurchase by a fraction of which the numerator shall be (i) the product of (x) the number of shares of Common Stock outstanding immediately before such Pro Rata Repurchase and (y) the Market Price of a share of Common Stock on the trading day immediately preceding the first public announcement by the Company or any of its Affiliates of the intent to effect such Pro Rata Repurchase, minus (ii) the aggregate purchase price of the Pro Rata Repurchase, and of which the denominator shall be the product of (i) the number of shares of Common Stock outstanding immediately prior to such Pro Rata Repurchase minus the number of shares of Common Stock so repurchased and (ii) the Market Price per share of Common Stock on the trading day immediately preceding the first public announcement of such Pro Rata Repurchase. In such event, the number of shares of Common Stock issuable upon the exercise of this Warrant shall be increased to the number obtained by dividing (x) the product of (1) the number of Shares issuable upon the exercise of this Warrant before such adjustment, and (2) the Exercise Price in effect immediately prior to the Pro Rata Repurchase giving rise to this adjustment by (y) the new Exercise Price determined in accordance with the immediately preceding sentence.
- (E) *Business Combinations.* Subject to Section 14 of this Warrant, in case of any Business Combination or reclassification of Common Stock (other than a reclassification of Common Stock referred to in Section 13(B)), any Shares issued or issuable upon exercise of this Warrant after the date of such Business Combination or reclassification, shall be exchangeable for the number of shares of stock or other securities or property (including cash) to which the Common Stock issuable (at the time of such Business Combination or reclassification) upon exercise of this Warrant immediately prior to such Business Combination or reclassification would have been entitled upon such Business Combination or reclassification; and in any such case, if necessary, the provisions set forth herein with respect to the rights and interests thereafter of the Warrantholder shall be appropriately adjusted so as to be applicable, as nearly as may reasonably be, to any shares of stock or other securities or property thereafter deliverable on the exercise of this Warrant. In determining the kind and amount of stock, securities or the property receivable upon consummation of such Business Combination, if the holders of Common Stock have the right to elect the kind or amount of consideration receivable upon consummation of such Business Combination, then the Warrantholder shall have the right to make a similar election upon exercise of this Warrant with respect to the number of shares of stock or other securities or property which the Warrantholder will receive upon exercise of this Warrant.
- (F) *Rounding of Calculations; Minimum Adjustments.* All calculations under this Section 13 shall be made to the nearest one-tenth (1/10th) of a cent or to the nearest one-hundredth (1/100th) of a share, as the case may be. Any provision of this Section 13 to the contrary notwithstanding, no adjustment in the Exercise Price or the number of Shares into which this Warrant is exercisable shall be made if the amount of such adjustment would be less than \$0.01 or one-tenth (1/10th) of a share of Common Stock, respectively, but any such amount shall be carried forward and an adjustment with respect thereto shall be made at the time of and together with any subsequent adjustment which, together with such amount and any other amount or amounts so carried forward, shall aggregate \$0.01 or 1/10th of a share of Common Stock, respectively, or more.
- (G) *Timing of Issuance of Additional Common Stock Upon Certain Adjustments.* In any case in which the provisions of this Section 13 shall require that an adjustment shall become effective immediately after

a record date for an event, the Company may defer until the occurrence of such event (i) issuing to the Warranholder of this Warrant exercised after such record date and before the occurrence of such event the additional shares of Common Stock issuable upon such exercise by reason of the adjustment required by such event over and above the shares of Common Stock issuable upon such exercise before giving effect to such adjustment and (ii) paying to such Warranholder any amount of cash in lieu of a fractional share of Common Stock; *provided*, however, that the Company upon request shall deliver to such Warranholder a due bill or other appropriate instrument evidencing such Warranholder's right to receive such additional shares, and such cash, upon the occurrence of the event requiring such adjustment.

- (H) *Adjustment for Unspecified Actions.* If the Company takes any action affecting the Common Stock, other than actions described in this Section 13, which in the opinion of the Board would adversely affect the exercise rights of the Warranholder, the Exercise Price for the Warrants and/or the number of Shares received upon exercise of the Warrant shall be adjusted for the Warranholder's benefit, to the extent permitted by law, in such manner, and at such time, as such Board after consultation with the Investor shall reasonably determine to be equitable in the circumstances. Failure of the Board to provide for any such adjustment will be evidence that the Board has determined that it is equitable to make no such adjustments in the circumstances.
- (I) *Statement Regarding Adjustments.* Whenever the Exercise Price or the number of Shares into which this Warrant is exercisable shall be adjusted as provided in Section 13, the Company shall forthwith file at the principal office of the Company a statement showing in reasonable detail the facts requiring such adjustment and the Exercise Price that shall be in effect and the number of Shares into which this Warrant shall be exercisable after such adjustment, and the Company shall also cause a copy of such statement to be sent by mail, first class postage prepaid, to each Warranholder at the address appearing in the Company's records.
- (J) *Notice of Adjustment Event.* In the event that the Company shall propose to take any action of the type described in this Section 13 (but only if the action of the type described in this Section 13 would result in an adjustment in the Exercise Price or the number of Shares into which this Warrant is exercisable or a change in the type of securities or property to be delivered upon exercise of this Warrant), the Company shall give notice to the Warranholder, in the manner set forth in Section 13(I), which notice shall specify the record date, if any, with respect to any such action and the approximate date on which such action is to take place. Such notice shall also set forth the facts with respect thereto as shall be reasonably necessary to indicate the effect on the Exercise Price and the number, kind or class of shares or other securities or property which shall be deliverable upon exercise of this Warrant. In the case of any action which would require the fixing of a record date, such notice shall be given at least 10 days prior to the date so fixed, and in case of all other action, such notice shall be given at least 15 days prior to the taking of such proposed action. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any such action.
- (K) *No Impairment.* The Company will not, by amendment of its Articles or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in taking of all such action as may be necessary or appropriate in order to protect the rights of the Warranholder.
- (L) *Proceedings Prior to Any Action Requiring Adjustment.* As a condition precedent to the taking of any action which would require an adjustment pursuant to this Section 13, the Company shall take any action which may be necessary, including obtaining regulatory, New York Stock Exchange or stockholder approvals or exemptions, in order that the Company may thereafter validly and legally issue as fully paid and nonassessable all shares of Common Stock that the Warranholder is entitled to receive upon exercise of this Warrant pursuant to this Section 13.

- (M) *Adjustment Rules.* Any adjustments pursuant to this Section 13 shall be made successively whenever an event referred to herein shall occur. If an adjustment in Exercise Price made hereunder would reduce the Exercise Price to an amount below par value of the Common Stock, then such adjustment in Exercise Price made hereunder shall reduce the Exercise Price to the par value of the Common Stock.
14. *Change of Control.* Upon the occurrence of a Preliminary Control Event, and by delivering written notice thereof to the Company, the Warrantholder may cause the Company to purchase any Warrant, in whole or in part, acquired hereunder that the Warrantholder then holds, at a valuation based on a computation of the option value of the Warrant using Black-Scholes calculation methods and making the assumptions described in the Black-Scholes methodology described in *Exhibit A*. Payment by the Company to the Warrantholder of such purchase price shall be due only upon the occurrence of the Change in Control and on the date of the occurrence of the Change of Control, subject to the mechanics described in the last paragraph of *Exhibit A*. At the election of the Company, all or any portion of such purchase price may be paid in Shares valued at the Market Price of a share of Common Stock as of (A) the last trading day prior to the date on which this payment occurs or (B) the first date of the announcement of such Preliminary Control Event (whichever is less), so long as such payment does not cause the Company to fail to comply with applicable New York Stock Exchange requirements or the requirements of any other Governmental Entities. To the extent that a payment in Common Shares would cause the Company to fail to comply with New York Stock Exchange rules, once the maximum number of Shares has been paid, the remainder of such purchase price may be paid in the form of cash. The Company agrees that it will not take any action resulting in a Preliminary Control Event in the absence of definitive documentation providing for such election right of the Warrantholder pursuant to this Section 14. Under no circumstances shall the Warrantholder be restricted from engaging in any hedging or derivative program reasonably necessary in the opinion of the Warrantholder to secure the option value of this Warrant so adjusted.
15. *Contest and Appraisal Rights.* Upon each determination of Market Price or fair market value, as the case may be, hereunder, the Company shall promptly give notice thereof to the Warrantholder, setting forth in reasonable detail the calculation of such Market Price or fair market value, and the method and basis of determination thereof, as the case may be. If the Warrantholder (or if there is more than one Warrantholder, a majority in interest of Warrantholders) shall disagree with such determination and shall, by notice to the Company given within fifteen (15) days after the Company's notice of such determination, elect to dispute such determination, such dispute shall be resolved in accordance with this Section 15. In the event that a determination of Market Price, or fair market value (if such determination solely involves Market Price), is disputed, such dispute shall be submitted, at the Company's expense, to a New York Stock Exchange member firm selected by the Company and acceptable to the Warrantholder, whose determination of Market Price or fair market value, as the case may be, shall be binding on the Company and the Warrantholder. In the event that a determination of fair market value, other than a determination solely involving Market Price, is disputed, such dispute shall be resolved through the Appraisal Procedure.
16. *Governing Law.* This Warrant shall be binding upon any successors or assigns of the Company. This Warrant shall constitute a contract under the laws of New York and for all purposes shall be construed in accordance with and governed by the laws of New York, without giving effect to the conflict of laws principles.
17. *Attorneys' Fees.* In any litigation, arbitration or court proceeding between the Company and the Warrantholder as the holder of this Warrant relating hereto, the prevailing party shall be entitled to reasonable attorneys' fees and expenses incurred in enforcing this Warrant.
18. *Amendments.* This Warrant may be amended and the observance of any term of this Warrant may be waived only with the written consent of the Company and the Warrantholder.
19. *Notices.* All notices hereunder shall be in writing and shall be effective (A) on the day on which delivered if delivered personally or transmitted by telex or telegram or telecopier with evidence of receipt, (B) one Business Day after the date on which the same is delivered to a nationally recognized overnight courier service with evidence of receipt, or (C) five Business Days after the date on which the same is deposited,

postage prepaid, in the U.S. mail, sent by certified or registered mail, return receipt requested, and addressed to the party to be notified at the address indicated below for the Company, or at the address for the Warrantholder set forth in the registry maintained by the Company pursuant to Section 9, or at such other address and/or telecopy or telex number and/or to the attention of such other person as the Company or the Warrantholder may designate by ten-day advance written notice.

20. *Prohibited Actions.* The Company agrees that it will not take any action which would entitle the Warrantholder to an adjustment of the Exercise Price if the total number of shares of Common Stock issuable after such action upon exercise of this Warrant, together with all shares of Common Stock then outstanding and all shares of Common Stock then issuable upon the exercise of all outstanding options, warrants, conversion and other rights, would exceed the total number of shares of Common Stock then authorized by its Restated Articles of Incorporation.
21. *Entire Agreement.* This Warrant and the forms attached hereto, and the Investment Agreement, contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior and contemporaneous arrangements or undertakings with respect thereto.

[Remainder of page intentionally left blank]

[Copy]

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by a duly authorized officer.

Dated: January 30, 2008

MBIA INC.

By: /s/ C. Edward Chaplin
Name: C. Edward Chaplin
Title: Vice President and Chief Financial Officer

Attest:

By: /s/ Ram D. Wertheim
Name: Ram D. Wertheim
Title: Vice President, Secretary and General Counsel

Acknowledged and Agreed:

**WARBURG PINCUS
PRIVATE EQUITY X, L.P.**

By: Warburg Pincus X L.P., its general partner
By: Warburg Pincus X LLC, its general partner
By: Warburg Pincus Partners LLC, its sole member
By: Warburg Pincus & Co., its managing member

By: /s/ David A. Coulter
Name: David A. Coulter
Title: Managing Director

[Signature Page to Warrant]

[Form Of Notice Of Exercise]

Date:

TO: MBIA Inc.

RE: Election to Subscribe for and Purchase Common Stock

The undersigned, pursuant to the provisions set forth in the attached Warrant, hereby agrees to subscribe for and purchase the number of shares of the Common Stock set forth below covered by such Warrant. The undersigned, in accordance with Section 3 of the Warrant, hereby agrees to pay the aggregate Exercise Price for such shares of Common Stock in the manner set forth below. A new warrant evidencing the remaining shares of Common Stock covered by such Warrant, but not yet subscribed for and purchased, should be issued in the name set forth below. If the new warrant is being transferred, an opinion of counsel is attached hereto with respect to the transfer of such warrant.

Number of Shares of Common Stock: _____

Method of Payment of Exercise Price: _____

Name and Address of Person to be Issued New Warrant: _____

Holder:

By:
Name:
Title:

[Form of Notice of Exercise]

Black-Scholes Assumptions

For the purpose of this Exhibit A:

Acquiror means (A) the third party that has entered into definitive document for a transaction, or (b) the offeror in the event of a tender or exchange offer, that could reasonably result in a Change of Control upon consummation.

Underlying Security Price:	In the event of a merger or acquisition, (A) in the event of an all cash deal, the cash per share offered to the Company's shareholders by the Acquiror; (B) in the event of an all stock deal, (1) in the event of a fixed exchange ratio transaction, the product of (i) the average of the Market Price of the Acquiror's common stock for the ten (10) trading day period ending on the day preceding the date of the Preliminary Control Event and (ii) the number of Acquiror's shares being offered for one share of Common Stock and (2) in the event of a fixed value transaction, the value offered by the Acquiror for one share of Common Stock; (C) in the event of a transaction contemplating various forms of consideration for each share of Common Stock, the cash portion, if any, shall be valued as clause (A) above and the stock portion shall be valued as clause (B) above and any other forms of consideration shall be valued by the Company in good faith, without applying any discounts to such consideration.
Exercise Price:	In the event of all other Change of Control events, the average of the Market Price of the Common Stock for the five (5) trading day period beginning on the date of the Preliminary Control Event. The Exercise Price as adjusted and then in effect for the Warrant at the time of the Preliminary Control Event.
Dividend Rate:	The Company's annualized dividend yield as of the date of the Preliminary Control Event
Interest Rate:	The applicable U.S. 5-year treasury note risk free rate as of the date of the Preliminary Control Event
Model Type:	Black-Scholes
Exercise Type:	American
Put or Call:	Call
Trade Date:	The date of the Preliminary Control Event
Expiration Date:	Expiration Time
Settle Date:	The date of the Preliminary Control Event
Exercise Delay:	0
Volatility:	The average annual volatility over the last 3 years of the Common Stock as listed by Bloomberg L.P., as of the date of the Preliminary Control Event

Such valuation of the Warrant based on the Black-Scholes methodology shall not be discounted in any way. If the Warrantholder disputes such Black-Scholes valuation pursuant to this *Exhibit A* as calculated by the Company, the Company and the Warrantholder will choose a mutually-agreeable firm to compute the valuation of the Warrant using the guidelines above, and such valuation shall be final. The fees and expenses of such firm shall be borne equally by the Company and the Warrantholder.

The Company covenants that it will not close the Change of Control transaction or otherwise facilitate the closing of a tender or exchange offer as referenced above until giving the Warrantholder at least five (5) Business Days to sell or distribute the Common Stock to be received in an exchange and will cooperate with the Warrantholder to ensure that there is an effective registration statement available to facilitate such a sale during such five (5) Business Day period or an effective opportunity is provided in the case of a tender or exchange offer as referenced above to tender such shares in to the offer.

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THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO TRANSFER AND OTHER RESTRICTIONS SET FORTH IN AN INVESTMENT AGREEMENT, DATED AS OF DECEMBER 10 2007, COPIES OF WHICH ARE ON FILE WITH THE SECRETARY OF THE ISSUER.

B-WARRANT

to purchase

7,430,112

Shares of Common Stock

dated as of January 30, 2008

MBIA INC.

a Connecticut Corporation

Issue Date: January 30, 2008

1. *Definitions.* Unless the context otherwise requires, when used herein the following terms shall have the meanings indicated.

Affiliate means, with respect to any Person, any Person directly or indirectly controlling, controlled by or under common control with, such other person, *provided*, that with respect to the Company, also includes Channel Reinsurance Ltd. For purposes of this definition, control (including, with correlative meanings, the terms controlled by and under common control with) when used with respect to any Person, means the possession, directly or indirectly, of the power to cause the direction of management or policies of such person, whether through the ownership of voting securities by contract or otherwise.

Applicable Price means the greater of (A) the greater of the Market Price per share of outstanding Common Stock on (i) the date on which the Company issues or sells any Common Stock other than Excluded Stock or (ii) the first date of the announcement of such issuance or sale or (B) the Buy-In Price.

Appraisal Procedure means a procedure whereby two independent appraisers, one chosen by the Company and one by the Warrantholder (or if there is more than one Warrantholder, a majority in interest of Warrantholders), shall mutually agree upon the determinations then the subject of appraisal. Each party shall deliver a notice to the other appointing its appraiser within fifteen (15) days after the Appraisal Procedure is invoked. If within thirty (30) days after appointment of the two appraisers they are unable to agree upon the amount in question, a third independent appraiser shall be chosen within ten (10) days thereafter by the mutual consent of such first two appraisers or, if such first two appraisers fail to agree upon the appointment of a third appraiser, such appointment shall be made by the American Arbitration Association, or any organization successor thereto, from a panel of arbitrators having experience in the appraisal of the subject matter to be appraised. The decision of the third appraiser so appointed and chosen shall be given within thirty (30) days after the selection of such third appraiser. If three appraisers shall be appointed and the determination of one appraiser is disparate from the middle determination by more than twice the amount by

which the other determination is disparate from the middle determination, then the determination of such appraiser shall be excluded, the remaining two determinations shall be averaged and such average shall be binding and conclusive on the Company and the Warrantholder; otherwise, the average of all three determinations shall be binding and conclusive on the Company and the Warrantholder. The costs of conducting any Appraisal Procedure shall be borne by the Warrantholder requesting such Appraisal Procedure, except (A) the fees and expenses of the appraiser appointed by the Company and any other costs incurred by the Company shall be borne by the Company and (B) if such Appraisal Procedure shall result in a determination that is disparate by 5% or more from the Company's initial determination, all costs of conducting such Appraisal Procedure shall be borne by the Company.

Beneficially Own, *Beneficial Owner* and *Beneficial Ownership* are defined in Rules 13d-3 and 13d-5 of the Exchange Act.

Board means the Board of Directors of the Company.

Board Representatives means the two people nominated by the Investor to be elected or appointed, subject to satisfaction of all legal and governance requirements regarding service as a director of the Company, to the Board on the Closing Date (as defined in the Investment Agreement).

Business Combination means a merger, consolidation, statutory share exchange or similar transaction that requires adoption by the Company's stockholders.

Business Day means any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

Buy-In Price means the price per share at which the Investor acquires each share of Common Stock pursuant to Section 1.2(a)(2) of the Investment Agreement.

Capital Stock means (A) with respect to any Person that is a corporation or company, any and all shares, interests, participations or other equivalents (however designated) of capital or capital stock of such Person and (B) with respect to any Person that is not a corporation or company, any and all partnership or other equity interests of such Person.

Change of Control means, with respect to the Company, the occurrence of any one of the following events:

- (A) the Incumbent Directors cease for any reason to constitute at least a majority of the Board; *provided*, that any person becoming a director subsequent to the date of the Investment Agreement whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the relevant party in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director (except that no individuals who were not directors at the time any agreement or understanding with respect to any Business Combination or contested election is reached shall be treated as Incumbent Directors for the purposes of clause (C) below with respect to such Business Combination or this paragraph in the case of a contested election); *provided, further*, that the Board Representatives will be treated as an Incumbent Directors even if the Persons designated to be such Board Representatives should change;
- (B) any Person is or becomes a Beneficial Owner (other than the Investor and its Affiliates), directly or indirectly, of 50% of the aggregate voting power of the Voting Securities; *provided, however*, that the event described in this clause (B) will not be deemed a Change of Control by virtue of any holdings or acquisitions: (i) by the Company or any of its Subsidiaries, (ii) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries; *provided*, that such holdings or acquisitions by any such plan (other than any plan maintained under Section 401(k) of the Internal Revenue Code of 1986, as amended) do not exceed 50% of

the then outstanding Voting Securities, (iii) by any underwriter temporarily holding securities pursuant to an offering of such securities or (iv) pursuant to a Non-Qualifying Transaction;

(C) a Business Combination, to the extent it is not a Non-Qualifying Transaction; or

(D) a plan of liquidation or dissolution of the Company or a sale of all or substantially all of the Company's assets.

Common Stock means the Company's common stock, par value \$1.00 per share, and any Capital Stock for or into which such Common Stock hereafter is exchanged, converted, reclassified or recapitalized by the Company or pursuant to an agreement or Business Combination to which the Company is a party.

Company means MBIA Inc., a Connecticut corporation.

Exchange Act means the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

Excluded Stock means (A) shares of Common Stock issued by the Company as a stock dividend payable in shares of Common Stock, or upon any subdivision or split-up of the outstanding shares of Capital Stock in each case which is subject to Section 13(B), or upon conversion of shares of Capital Stock (but not the issuance of such Capital Stock which will be subject to the provisions of Section 13(A)) and (B) shares of Common Stock to be issued to employees, consultants and advisors of the Company pursuant to options granted prior to the date of issuance of this Warrant and pursuant to options granted after the date of issuance of this Warrant if the exercise price per share of Common Stock on the date of such grant equals or exceeds the Market Price of a share of Common Stock on the date of such grant.

Exercise Approval means any and all shareholder approvals as may be necessary under any applicable law or regulation or requirement of any applicable securities exchange, including but not limited to the applicable New York Stock Exchange rules, such that this Warrant may be exercisable for Shares.

Exercise Price has the meaning given to it in Section 2.

Expiration Time has the meaning given to it in Section 3.

Governmental Entities has the meaning given to it in Section 2.2(d) of the Investment Agreement.

Group means a group as contemplated by Section 13(d)(3) of the Exchange Act.

Incumbent Directors means individuals who on the date of the Investment Agreement constitute the Board.

Investment Agreement means the Investment Agreement, dated as of December 10, 2007, between the Company and the Investor, including all schedules and exhibits thereto.

Investor means Warburg Pincus Private Equity X, L.P.

Market Price means, with respect to a particular security, on any given day, the last reported sale price regular way or, in case no such reported sale takes place on such day, the average of the last closing bid and ask prices regular way, in either case on the principal national securities exchange on which the applicable securities are listed or admitted to trading, or if not listed or admitted to trading on any national securities exchange, (A) the closing sale price for such day reported by the Nasdaq Stock Market if such security is traded over-the-counter and quoted in the Nasdaq Stock Market, or (B) if such security is so traded, but not so quoted, the average of the closing reported bid and ask prices of such security as reported by the Nasdaq Stock Market or any comparable system, or (C) if such security is not listed on the Nasdaq Stock Market or any comparable system, the average of the closing bid and ask prices as furnished by two members of the National Association of Securities Dealers, Inc. selected from time to time by the Company for that purpose. If such security is not listed and traded in a manner that the quotations referred to above are available for the period required hereunder, the Market Price per share of Common Stock shall be deemed to be the fair value per share of such security as determined in good faith by the Board of Directors of the Company.

Non-Qualifying Transaction means any Business Combination that satisfies all of the following criteria: (A) more than 50% of the total voting power of the surviving corporation resulting from a Business Combination, or, if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the surviving corporation, is represented by Voting Securities that were outstanding immediately before such Business Combination (or, if applicable, is represented by shares into which such Voting Securities were converted pursuant to such Business Combination) and (B) at least a majority of the members of the board of directors of the parent corporation (or, if there is no parent corporation, the surviving corporation) following the consummation of the Business Combination were Incumbent Directors at the time the Company's Board approved the execution of the initial agreement providing for such Business Combination.

Ordinary Cash Dividends means a regular quarterly cash dividend out of surplus or net profits legally available therefor (determined in accordance with generally accepted accounting principles, consistently applied) and consistent with past practice.

Person has the meaning given to it in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act.

Preliminary Control Event means, with respect to the Company, (A) the execution of definitive documentation for a transaction or (B) the recommendation that stockholders tender in response to a tender or exchange offer, that could reasonably result in a Change of Control upon consummation.

Pro Rata Repurchases means any purchase of shares of Common Stock by the Company or any Affiliate thereof pursuant to any tender offer or exchange offer subject to Section 13(e) of the Exchange Act, or pursuant to any other offer available to substantially all holders of Common Stock, whether for cash, shares of Capital Stock of the Company, other securities of the Company, evidences of indebtedness of the Company or any other person or any other property (including, without limitation, shares of Capital Stock, other securities or evidences of indebtedness of a subsidiary of the Company), or any combination thereof, effected while this Warrant is outstanding; *provided*, however, that *Pro Rata Repurchase* shall not include any purchase of shares by the Company or any Affiliate thereof made in accordance with the requirements of Rule 10b-18 as in effect under the Exchange Act. The *Effective Date* of a Pro Rata Repurchase shall mean the date of acceptance of shares for purchase or exchange under any tender or exchange offer which is a Pro Rata Repurchase or the date of purchase with respect to any Pro Rata Repurchase that is not a tender or exchange offer.

Rights Offering has the meaning given to it in Section 4.10(a) of the Investment Agreement.

Securities has the meaning given to it in the recitals of the Investment Agreement.

Securities Act means the Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

Shares is defined in Section 2.

Subsidiary of a Person means those corporations, banks, savings banks, associations and other Persons of which such Person owns or controls 51% or more of the outstanding equity securities either directly or through an unbroken chain of entities, as to each of which 51% or more of the outstanding equity securities is owned directly or indirectly by its parent; *provided, however*, that there shall not be included any such entity to the extent that the equity securities of such entity were acquired in satisfaction of a debt previously contracted in good faith or are owned or controlled in a *bona fide* fiduciary capacity.

Voting Securities means the Company's then outstanding securities eligible to vote for the election of directors.

Warrantholder has the meaning given to it in Section 2.

Warrants means this Warrant, issued to the Investor pursuant to the Investment Agreement.

2. *Number of Shares; Exercise Price.* This certifies that, for value received, Warburg Pincus Private Equity X, L.P., its affiliates or its registered assigns (the *Warrantholder*) is entitled, upon the terms and subject to the conditions hereinafter set forth, to acquire from the Company, in whole or in part, up to an aggregate of 7,430,112 fully paid and nonassessable shares of Common Stock, par value \$1.00 per share (the *Shares*), of the Company, at a purchase price of \$40.00 per Share (the *Exercise Price*). The number of Shares and the Exercise Price are subject to adjustment as provided herein, and all references to Shares, Common Stock and Exercise Price herein shall be deemed to include any such adjustment or series of adjustments.
3. *Exercise of Warrant; Term.* To the extent permitted by applicable laws and regulations, including but not limited to the insurance laws of the States of New York and Illinois, the right to purchase the Shares represented by this Warrant are exercisable, in whole or in part by the Warrantholder, at any time or from time to time after 9:00 a.m., New York City time, on the date hereof, but in no event later than 11:59 p.m., New York City time, on the seventh anniversary of the date of issuance of the Warrant (the *Expiration Time*), by (A) the surrender of this Warrant and Notice of Exercise annexed hereto, duly completed and executed on behalf of the Warrantholder, at the office of the Company in Armonk, New York (or such other office or agency of the Company in the United States as it may designate by notice in writing to the Warrantholder at the address of the Warrantholder appearing on the books of the Company), and (B) payment of the Exercise Price for the Shares thereby purchased at the election of the Warrantholder in one of the following manners:

- (i) by tendering in cash, by certified or cashier's check or by wire transfer payable to the order of the Company; or
- (ii) by having the Company withhold shares of Common Stock issuable upon exercise of the Warrant equal in value to the aggregate Exercise Price as to which this Warrant is so exercised based on the Market Price of the Common Stock on the trading day prior to the date on which this Warrant and the Notice of Exercise are delivered to the Company.

If the Warrantholder does not exercise this Warrant in its entirety, the Warrantholder will be entitled to receive from the Company within a reasonable time, and in any event not exceeding three (3) Business Days, a new warrant in substantially identical form for the purchase of that number of Shares equal to the difference between the number of Shares subject to this Warrant and the number of Shares as to which this Warrant is so exercised. Notwithstanding anything in this Warrant to the contrary, prior to obtaining the Exercise Approval, the Warrantholder may only exercise this Warrant in the manner permitted by Section 3(B)(ii) and upon any such exercise receive, in lieu of the shares of Common Stock, cash in an amount equal to the product of (x) the number of shares of Common Stock that would have been otherwise issuable and (y) the Market Price of the Common Stock on the trading day prior to the date on which this Warrant and the Notice of Exercise are delivered to the Company, such amount being paid by certified or cashier's check or by wire transfer in same day funds no later than the third Business Day following such exercise; *provided*, however, that at its option, the Company may pay such amount in four quarterly payments, the first payment of which shall be made no more than three (3) Business Days following such exercise by the Warrantholder; *provided*, further, that each such quarterly payment shall not be for an amount less than 25% of the total amount of such aggregate payment obligation (except for the final payment), and in each case, plus interest computed at the Company's borrowing rate under its revolving credit facility.

4. *Issuance of Shares; Authorization; Listing.* Certificates for Shares issued upon exercise of this Warrant will be issued in such name or names as the Warrantholder may designate and will be delivered to such named Person or Persons within a reasonable time, not to exceed three (3) Business Days after the date on which this Warrant has been duly exercised in accordance with the terms of this Warrant. The Company hereby represents and warrants that any Shares issued upon the exercise of this Warrant in accordance with the provisions of Section 3 will, upon such exercise, be duly and validly authorized and issued, fully paid and nonassessable and free from all taxes, liens and charges (other than liens or charges created by the Warrantholder or taxes in respect of any transfer occurring contemporaneously therewith). The Company

agrees that the Shares so issued will be deemed to have been issued to the Warrantholder as of the close of business on the date on which this Warrant and payment of the Exercise Price are delivered to the Company in accordance with the terms of this Warrant, notwithstanding that the stock transfer books of the Company may then be closed or certificates representing such Shares may not be actually delivered on such date. The Company will, beginning at a time prior to the Exercise Approval and thereafter at all times, reserve and keep available, out of its authorized but unissued Common Stock, solely for the purpose of providing for the exercise of this Warrant, the aggregate number of shares of Common Stock issuable upon exercise of this Warrant. The Company will (i) procure, at its sole expense, the listing of the Shares and other securities issuable upon exercise of this Warrant, including but not limited to those Shares issuable pursuant to Section 13 of this Warrant, subject to issuance or notice of issuance on all stock exchanges on which the Common Stock are then listed or traded and (ii) maintain the listing of such Shares after issuance. The Company will use commercially reasonable efforts to ensure that the Shares may be issued without violation of any applicable law or regulation or of any requirement of any securities exchange on which the Shares are listed or traded.

5. *No Fractional Shares or Scrip.* No fractional Shares or scrip representing fractional Shares shall be issued upon any exercise of this Warrant. In lieu of any fractional Share to which the Warrantholder would otherwise be entitled, the Warrantholder shall be entitled to receive a cash payment equal to the Market Price of the Common Stock less the Exercise Price for such fractional share.
6. *No Rights as Shareholders; Transfer Books.* This Warrant does not entitle the Warrantholder to any voting rights or other rights as a shareholder of the Company prior to the date of exercise hereof. The Company will at no time close its transfer books against transfer of this Warrant in any manner which interferes with the timely exercise of this Warrant.
7. *Charges, Taxes and Expenses.* Issuance of certificates for Shares to the Warrantholder upon the exercise of this Warrant shall be made without charge to the Warrantholder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company.
8. *Transfer/Assignment.*
 - (A) Subject to compliance with clause (B) of this Section 8, without obtaining the consent of the Company to assign or transfer this Warrant, this Warrant and all rights hereunder are transferable, in whole or in part, upon the books of the Company by the registered holder hereof in person or by duly authorized attorney, and a new warrant shall be made and delivered by the Company, of the same tenor and date as this Warrant but registered in the name of the transferee, upon surrender of this Warrant, duly endorsed, to the office or agency of the Company described in Section 2. All expenses (other than stock transfer taxes) and other charges payable in connection with the preparation, execution and delivery of the new warrants pursuant to this Section 8 shall be paid by the Company.
 - (B) Notwithstanding the foregoing, this Warrant and any rights hereunder, and any Shares issued upon exercise of this Warrant, shall be subject to the applicable restrictions as set forth in Section 4.2 of the Investment Agreement.
 - (C) Notwithstanding anything herein to the contrary, nothing shall prevent any hedging transactions by the Warrantholder or its transferees.
9. *Exchange and Registry of Warrant.* This Warrant is exchangeable, upon the surrender hereof by the Warrantholder to the Company, for a new warrant or warrants of like tenor and representing the right to purchase the same aggregate number of Shares. The Company shall maintain a registry showing the name and address of the Warrantholder as the registered holder of this Warrant. This Warrant may be surrendered for exchange or exercise, in accordance with its terms, at the office of the Company, and the Company shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

10. *Loss, Theft, Destruction or Mutilation of Warrant.* Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and in the case of any such loss, theft or destruction, upon receipt of an indemnity or security reasonably satisfactory to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Warrant, the Company shall make and deliver, in lieu of such lost, stolen, destroyed or mutilated Warrant, a new Warrant of like tenor and representing the right to purchase the same aggregate number of Shares as provided for in such lost, stolen, destroyed or mutilated Warrant.

11. *Saturdays, Sundays, Holidays, etc.* If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding day that is a Business Day.

12. *Rule 144 Information.* The Company covenants that it will use its reasonable best efforts to timely file all reports and other documents required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations promulgated by the U.S. Securities and Exchange Commission thereunder (or, if the Company is not required to file such reports, it will, upon the request of any Warrantholder, make publicly available such information as necessary to permit sales pursuant to Rule 144), and it will use reasonable best efforts to take such further action as any Warrantholder may reasonably request, all to the extent required from time to time to enable such holder to sell the Warrants without registration under the Securities Act within the limitation of the exemptions provided by (i) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (ii) any similar rule or regulation hereafter adopted by the Securities and Exchange Commission. Upon the written request of any Warrantholder, the Company will deliver to such Warrantholder a written statement that it has complied with such requirements.

13. *Adjustments and Other Rights.* The Exercise Price and the number of Shares issuable upon exercise of this Warrant shall be subject to adjustment from time to time as follows; *provided*, that no single event shall be subject to adjustment under more than one subsection of this Section 13 so as to result in duplication:
 - (A) *Common Stock Issued at Less than the Applicable Price.* If the Company issues or sells any Common Stock other than Excluded Stock for consideration per share less than the Applicable Price, then the Exercise Price in effect immediately prior to each such issuance or sale will immediately (except as provided below) be reduced to the price determined by multiplying the Exercise Price in effect immediately prior to such issuance or sale by a fraction, (x) the numerator of which shall be (1) the number of shares of Common Stock outstanding immediately prior to such issuance or sale plus (2) the number of shares of Common Stock which the aggregate consideration received by the Company for the total number of such additional shares of Common Stock so issued or sold would purchase at the Applicable Price, and (y) the denominator of which shall be the number of shares of Common Stock outstanding immediately after such issuance or sale. In such event, the number of shares of Common Stock issuable upon the exercise of this Warrant shall be increased to the number obtained by dividing (x) the product of (1) the number of Shares issuable upon the exercise of this Warrant before such adjustment and (2) the Exercise Price in effect immediately prior to the issuance or sale giving rise to this adjustment, by (y) the new Exercise Price determined in accordance with the immediately preceding sentence. For the purposes of any adjustment of the Exercise Price and the number of Shares issuable upon exercise of this Warrant pursuant to this Section 13(A), the following provisions shall be applicable, *provided*, however, no increase in the Exercise Price or reduction in the number of Shares issuable upon exercise of this Warrant shall be made pursuant to subclauses (i) or (ii) of this Section 13(A):
 - (i) In the case of the issuance or sale of Common Stock for cash, the amount of the consideration received by the Company shall be deemed to be the amount of the gross cash proceeds received by the Company for such Common Stock before deducting therefrom any discounts or commissions allowed, paid or incurred by the Company for any underwriting or otherwise in connection with the issuance and sale thereof.

- (ii) In the case of the issuance or sale of Common Stock (otherwise than upon the conversion of shares of Capital Stock or other securities of the Company) for a consideration in whole or in part other than cash, including securities acquired in exchange therefor (other than securities by their terms so exchangeable), the consideration other than cash shall be deemed to be the fair value thereof as determined by the Board, before deducting therefrom any discounts or commissions allowed, paid or incurred by the Company for any underwriting or otherwise in connection with the issuance and sale thereof, *provided*, however, that such per share fair value as determined by the Board shall not exceed the Applicable Price.
- (iii) In the case of the issuance of (1) options, warrants or other rights to purchase or acquire Common Stock (whether or not at the time exercisable) or (2) securities by their terms convertible into or exchangeable for Common Stock (whether or not at the time so convertible or exchangeable) or options, warrants or rights to purchase such convertible or exchangeable securities (whether or not at the time exercisable):
- (1) The aggregate maximum number of shares of Common Stock deliverable upon exercise of such options, warrants or other rights to purchase or acquire Common Stock shall be deemed to have been issued at the time such options, warrants or rights are issued and for a consideration equal to the consideration (determined in the manner provided in Section 13(A)(i) and (ii)), if any, received by the Company upon the issuance or sale of such options, warrants or rights plus the minimum purchase price provided in such options, warrants or rights for the Common Stock covered thereby.
 - (2) The aggregate maximum number of shares of Common Stock deliverable upon conversion of or in exchange for any such convertible or exchangeable securities, or upon the exercise of options, warrants or other rights to purchase or acquire such convertible or exchangeable securities and the subsequent conversion or exchange thereof, shall be deemed to have been issued at the time such securities were issued or such options, warrants or rights were issued and for a consideration equal to the consideration, if any, received by the Company for any such securities and related options, warrants or rights (excluding any cash received on account of accrued interest or accrued dividends), plus the additional consideration (in each case, determined in the manner provided in Section 13(A)(i) and (ii)), if any, to be received by the Company upon the conversion or exchange of such securities, or upon the exercise of any related options, warrants or rights to purchase or acquire such convertible or exchangeable securities and the subsequent conversion or exchange thereof.
 - (3) On any change in the number of shares of Common Stock deliverable upon exercise of any such options, warrants or rights or conversion or exchange of such convertible or exchangeable securities or any change in the consideration to be received by the Company upon such exercise, conversion or exchange, but excluding changes resulting from the anti-dilution provisions thereof (to the extent comparable to the anti-dilution provisions contained herein), the Exercise Price and the number of Shares issuable upon exercise of this Warrant as then in effect shall forthwith be readjusted to such Exercise Price and number of Shares as would have been obtained had an adjustment been made upon the issuance or sale of such options, warrants or rights not exercised prior to such change, or of such convertible or exchangeable securities not converted or exchanged prior to such change, upon the basis of such change.
 - (4) On the expiration or cancellation of any such options, warrants or rights (without exercise), or the termination of the right to convert or exchange such convertible or exchangeable securities (without exercise), if the Exercise Price and the number of Shares issuable upon exercise of this Warrant shall have been adjusted upon the issuance or sale thereof, the Exercise Price and the number of Shares issuable upon exercise of this Warrant shall forthwith be readjusted to such Exercise Price and number of Shares as would have been

obtained had an adjustment been made upon the issuance or sale of such options, warrants, rights or such convertible or exchangeable securities on the basis of the issuance of only the number of shares of Common Stock actually issued upon the exercise of such options, warrants or rights, or upon the conversion or exchange of such convertible or exchangeable securities.

- (5) If the Exercise Price and the number of Shares issuable upon exercise of this warrant shall have been adjusted upon the issuance or sale of any such options, warrants, rights or convertible or exchangeable securities, no further adjustment of the Exercise Price and the number of Shares issuable upon exercise of this Warrant shall be made for the actual issuance of Common Stock upon the exercise, conversion or exchange thereof; *provided*, however, that no increase in the Exercise Price or reduction in the number of Shares issuable upon exercise of this Warrant shall be made pursuant to subclauses (1) or (2) of this Section 13(A)(iii).
- (iv) For the avoidance of doubt, (i) the Company's issuance or sale of shares of Common Stock in the Rights Offering to the extent not purchased by the Investor pursuant to Section 4.10 of the Investment Agreement shall be subject to the provisions of this Section 13(A) and (ii) the Company's issuance or sale of shares of Common Stock in the Rights Offering to the extent purchased by the Investor pursuant to Section 4.10 of the Investment Agreement shall not be subject to the provisions of this Section 13(A).
- (B) *Stock Splits, Subdivisions, Reclassifications or Combinations.* If the Company shall (i) declare a dividend or make a distribution on its Common Stock in shares of Common Stock, (ii) subdivide or reclassify the outstanding shares of Common Stock into a greater number of shares, or (iii) combine or reclassify the outstanding Common Stock into a smaller number of shares, the number of Shares issuable upon exercise of this Warrant at the time of the record date for such dividend or distribution or the effective date of such subdivision, combination or reclassification shall be proportionately adjusted so that the Warrantholder after such date shall be entitled to purchase the number of shares of Common Stock which such holder would have owned or been entitled to receive after such date had this Warrant been exercised immediately prior to such date. In such event, the Exercise Price in effect at the time of the record date for such dividend or distribution or the effective date of such subdivision, combination or reclassification shall be adjusted to the number obtained by dividing (x) the product of (1) the number of Shares issuable upon the exercise of this Warrant before such adjustment and (2) the Exercise Price in effect immediately prior to the issuance giving rise to this adjustment by (y) the new number of shares issuable upon exercise of the Warrant determined pursuant to the immediately preceding sentence.
- (C) *Other Distributions.* In case the Company shall fix a record date for the making of a distribution to all holders of shares of its Common Stock (i) of shares of any class other than its Common Stock, (ii) of evidence of indebtedness of the Company or any Subsidiary, (iii) of assets (excluding Ordinary Cash Dividends, and dividends or distributions referred to in Section 13(B)), or (iv) of rights or warrants (excluding those referred to in Section 13(B)), in each such case, the Exercise Price in effect prior thereto shall be reduced immediately thereafter to the price determined by dividing (x) an amount equal to the difference resulting from (1) the number of shares of Common Stock outstanding on such record date multiplied by the Exercise Price per Share on such record date, less (2) the fair market value (as reasonably determined by the Board) of said shares or evidences of indebtedness or assets or rights or warrants to be so distributed, by (y) the number of shares of Common Stock outstanding on such record date; such adjustment shall be made successively whenever such a record date is fixed. In such event, the number of shares of Common Stock issuable upon the exercise of this Warrant shall be increased to the number obtained by dividing (x) the product of (1) the number of Shares issuable upon the exercise of this Warrant before such adjustment, and (2) the Exercise Price in effect immediately prior to the issuance giving rise to this adjustment by (y) the new Exercise Price determined in accordance with the immediately preceding sentence. In the event that such distribution is not so made, the Exercise Price

and the number of Shares issuable upon exercise of this Warrant then in effect shall be readjusted, effective as of the date when the Board determines not to distribute such shares, evidences of indebtedness, assets, rights or warrants, as the case may be, to the Exercise Price that would then be in effect and the number of Shares that would then be issuable upon exercise of this Warrant if such record date had not been fixed.

- (D) *Certain Repurchases of Common Stock.* In case the Company effects a Pro Rata Repurchase of Common Stock, then the Exercise Price shall be reduced to the price determined by multiplying the Exercise Price in effect immediately prior to the effective date of such Pro Rata Repurchase by a fraction of which the numerator shall be (i) the product of (x) the number of shares of Common Stock outstanding immediately before such Pro Rata Repurchase and (y) the Market Price of a share of Common Stock on the trading day immediately preceding the first public announcement by the Company or any of its Affiliates of the intent to effect such Pro Rata Repurchase, minus (ii) the aggregate purchase price of the Pro Rata Repurchase, and of which the denominator shall be the product of (i) the number of shares of Common Stock outstanding immediately prior to such Pro Rata Repurchase minus the number of shares of Common Stock so repurchased and (ii) the Market Price per share of Common Stock on the trading day immediately preceding the first public announcement of such Pro Rata Repurchase. In such event, the number of shares of Common Stock issuable upon the exercise of this Warrant shall be increased to the number obtained by dividing (x) the product of (1) the number of Shares issuable upon the exercise of this Warrant before such adjustment, and (2) the Exercise Price in effect immediately prior to the Pro Rata Repurchase giving rise to this adjustment by (y) the new Exercise Price determined in accordance with the immediately preceding sentence.
- (E) *Business Combinations.* Subject to Section 14 of this Warrant, in case of any Business Combination or reclassification of Common Stock (other than a reclassification of Common Stock referred to in Section 13(B)), any Shares issued or issuable upon exercise of this Warrant after the date of such Business Combination or reclassification, shall be exchangeable for the number of shares of stock or other securities or property (including cash) to which the Common Stock issuable (at the time of such Business Combination or reclassification) upon exercise of this Warrant immediately prior to such Business Combination or reclassification would have been entitled upon such Business Combination or reclassification; and in any such case, if necessary, the provisions set forth herein with respect to the rights and interests thereafter of the Warrantholder shall be appropriately adjusted so as to be applicable, as nearly as may reasonably be, to any shares of stock or other securities or property thereafter deliverable on the exercise of this Warrant. In determining the kind and amount of stock, securities or the property receivable upon consummation of such Business Combination, if the holders of Common Stock have the right to elect the kind or amount of consideration receivable upon consummation of such Business Combination, then the Warrantholder shall have the right to make a similar election upon exercise of this Warrant with respect to the number of shares of stock or other securities or property which the Warrantholder will receive upon exercise of this Warrant.
- (F) *Rounding of Calculations; Minimum Adjustments.* All calculations under this Section 13 shall be made to the nearest one-tenth (1/10th) of a cent or to the nearest one-hundredth (1/100th) of a share, as the case may be. Any provision of this Section 13 to the contrary notwithstanding, no adjustment in the Exercise Price or the number of Shares into which this Warrant is exercisable shall be made if the amount of such adjustment would be less than \$0.01 or one-tenth (1/10th) of a share of Common Stock, respectively, but any such amount shall be carried forward and an adjustment with respect thereto shall be made at the time of and together with any subsequent adjustment which, together with such amount and any other amount or amounts so carried forward, shall aggregate \$0.01 or 1/10th of a share of Common Stock, respectively, or more.
- (G) *Timing of Issuance of Additional Common Stock Upon Certain Adjustments.* In any case in which the provisions of this Section 13 shall require that an adjustment shall become effective immediately after a record date for an event, the Company may defer until the occurrence of such event (i) issuing to the Warrantholder of this Warrant exercised after such record date and before the occurrence of such event

the additional shares of Common Stock issuable upon such exercise by reason of the adjustment required by such event over and above the shares of Common Stock issuable upon such exercise before giving effect to such adjustment and (ii) paying to such Warrantholder any amount of cash in lieu of a fractional share of Common Stock; *provided*, however, that the Company upon request shall deliver to such Warrantholder a due bill or other appropriate instrument evidencing such Warrantholder's right to receive such additional shares, and such cash, upon the occurrence of the event requiring such adjustment.

- (H) *Adjustment for Unspecified Actions.* If the Company takes any action affecting the Common Stock, other than actions described in this Section 13, which in the opinion of the Board would adversely affect the exercise rights of the Warrantholder, the Exercise Price for the Warrants and/or the number of Shares received upon exercise of the Warrant shall be adjusted for the Warrantholder's benefit, to the extent permitted by law, in such manner, and at such time, as such Board after consultation with the Investor shall reasonably determine to be equitable in the circumstances. Failure of the Board to provide for any such adjustment will be evidence that the Board has determined that it is equitable to make no such adjustments in the circumstances.
- (I) *Statement Regarding Adjustments.* Whenever the Exercise Price or the number of Shares into which this Warrant is exercisable shall be adjusted as provided in Section 13, the Company shall forthwith file at the principal office of the Company a statement showing in reasonable detail the facts requiring such adjustment and the Exercise Price that shall be in effect and the number of Shares into which this Warrant shall be exercisable after such adjustment, and the Company shall also cause a copy of such statement to be sent by mail, first class postage prepaid, to each Warrantholder at the address appearing in the Company's records.
- (J) *Notice of Adjustment Event.* In the event that the Company shall propose to take any action of the type described in this Section 13 (but only if the action of the type described in this Section 13 would result in an adjustment in the Exercise Price or the number of Shares into which this Warrant is exercisable or a change in the type of securities or property to be delivered upon exercise of this Warrant), the Company shall give notice to the Warrantholder, in the manner set forth in Section 13(I), which notice shall specify the record date, if any, with respect to any such action and the approximate date on which such action is to take place. Such notice shall also set forth the facts with respect thereto as shall be reasonably necessary to indicate the effect on the Exercise Price and the number, kind or class of shares or other securities or property which shall be deliverable upon exercise of this Warrant. In the case of any action which would require the fixing of a record date, such notice shall be given at least 10 days prior to the date so fixed, and in case of all other action, such notice shall be given at least 15 days prior to the taking of such proposed action. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any such action.
- (K) *No Impairment.* The Company will not, by amendment of its Articles or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in taking of all such action as may be necessary or appropriate in order to protect the rights of the Warrantholder.
- (L) *Proceedings Prior to Any Action Requiring Adjustment.* As a condition precedent to the taking of any action which would require an adjustment pursuant to this Section 13, the Company shall take any action which may be necessary, including obtaining regulatory, New York Stock Exchange or stockholder approvals or exemptions, in order that the Company may thereafter validly and legally issue as fully paid and nonassessable all shares of Common Stock that the Warrantholder is entitled to receive upon exercise of this Warrant pursuant to this Section 13.
- (M) *Adjustment Rules.* Any adjustments pursuant to this Section 13 shall be made successively whenever an event referred to herein shall occur. If an adjustment in Exercise Price made hereunder would reduce

the Exercise Price to an amount below par value of the Common Stock, then such adjustment in Exercise Price made hereunder shall reduce the Exercise Price to the par value of the Common Stock.

14. *Change of Control.* Upon the occurrence of a Preliminary Control Event, and by delivering written notice thereof to the Company, the Warrantholder may cause the Company to purchase any Warrant, in whole or in part, acquired hereunder that the Warrantholder then holds, at a valuation based on a computation of the option value of the Warrant using Black-Scholes calculation methods and making the assumptions described in the Black-Scholes methodology described in *Exhibit A*. Payment by the Company to the Warrantholder of such purchase price shall be due only upon the occurrence of the Change in Control and on the date of the occurrence of the Change of Control, subject to the mechanics described in the last paragraph of *Exhibit A*. At the election of the Company, all or any portion of such purchase price may be paid in Shares valued at the Market Price of a share of Common Stock as of (A) the last trading day prior to the date on which this payment occurs or (B) the first date of the announcement of such Preliminary Control Event (whichever is less), so long as such payment does not cause the Company to fail to comply with applicable New York Stock Exchange requirements or the requirements of any other Governmental Entities. To the extent that a payment in Common Shares would cause the Company to fail to comply with New York Stock Exchange rules, once the maximum number of Shares has been paid, the remainder of such purchase price may be paid in the form of cash. The Company agrees that it will not take any action resulting in a Preliminary Control Event in the absence of definitive documentation providing for such election right of the Warrantholder pursuant to this Section 14. Under no circumstances shall the Warrantholder be restricted from engaging in any hedging or derivative program reasonably necessary in the opinion of the Warrantholder to secure the option value of this Warrant so adjusted.
15. *Contest and Appraisal Rights.* Upon each determination of Market Price or fair market value, as the case may be, hereunder, the Company shall promptly give notice thereof to the Warrantholder, setting forth in reasonable detail the calculation of such Market Price or fair market value, and the method and basis of determination thereof, as the case may be. If the Warrantholder (or if there is more than one Warrantholder, a majority in interest of Warrantholders) shall disagree with such determination and shall, by notice to the Company given within fifteen (15) days after the Company's notice of such determination, elect to dispute such determination, such dispute shall be resolved in accordance with this Section 15. In the event that a determination of Market Price, or fair market value (if such determination solely involves Market Price), is disputed, such dispute shall be submitted, at the Company's expense, to a New York Stock Exchange member firm selected by the Company and acceptable to the Warrantholder, whose determination of Market Price or fair market value, as the case may be, shall be binding on the Company and the Warrantholder. In the event that a determination of fair market value, other than a determination solely involving Market Price, is disputed, such dispute shall be resolved through the Appraisal Procedure.
16. *Governing Law.* This Warrant shall be binding upon any successors or assigns of the Company. This Warrant shall constitute a contract under the laws of New York and for all purposes shall be construed in accordance with and governed by the laws of New York, without giving effect to the conflict of laws principles.
17. *Attorneys' Fees.* In any litigation, arbitration or court proceeding between the Company and the Warrantholder as the holder of this Warrant relating hereto, the prevailing party shall be entitled to reasonable attorneys' fees and expenses incurred in enforcing this Warrant.
18. *Amendments.* This Warrant may be amended and the observance of any term of this Warrant may be waived only with the written consent of the Company and the Warrantholder.
19. *Notices.* All notices hereunder shall be in writing and shall be effective (A) on the day on which delivered if delivered personally or transmitted by telex or telegram or telecopier with evidence of receipt, (B) one Business Day after the date on which the same is delivered to a nationally recognized overnight courier service with evidence of receipt, or (C) five Business Days after the date on which the same is deposited, postage prepaid, in the U.S. mail, sent by certified or registered mail, return receipt requested, and addressed to the party to be notified at the address indicated below for the Company, or at the address for the

Warrantholder set forth in the registry maintained by the Company pursuant to Section 9, or at such other address and/or telecopy or telex number and/or to the attention of such other person as the Company or the Warrantholder may designate by ten-day advance written notice.

20. *Prohibited Actions.* The Company agrees that it will not take any action which would entitle the Warrantholder to an adjustment of the Exercise Price if the total number of shares of Common Stock issuable after such action upon exercise of this Warrant, together with all shares of Common Stock then outstanding and all shares of Common Stock then issuable upon the exercise of all outstanding options, warrants, conversion and other rights, would exceed the total number of shares of Common Stock then authorized by its Restated Articles of Incorporation.
21. *Entire Agreement.* This Warrant and the forms attached hereto, and the Investment Agreement, contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior and contemporaneous arrangements or undertakings with respect thereto.

[Remainder of page intentionally left blank]

[Copy]

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by a duly authorized officer.

Dated: January 30, 2008

MBIA INC.

By: /s/ C. Edward Chaplin
Name: C. Edward Chaplin
Title: Vice President and Chief Financial Officer

Attest:

By: /s/ Ram D. Wertheim
Name: Ram D. Wertheim
Title: Vice President, Secretary and General Counsel

Acknowledged and Agreed:

**WARBURG PINCUS
PRIVATE EQUITY X, L.P.**

By: Warburg Pincus X L.P., its general partner
By: Warburg Pincus X LLC, its general partner
By: Warburg Pincus Partners LLC, its sole member
By: Warburg Pincus & Co., its managing member

By: /s/ David A. Coulter
Name: David A. Coulter
Title: Managing Director

[Signature Page to B-Warrant]

[Form Of Notice Of Exercise]

Date:

TO: MBIA Inc.

RE: Election to Subscribe for and Purchase Common Stock

The undersigned, pursuant to the provisions set forth in the attached Warrant, hereby agrees to subscribe for and purchase the number of shares of the Common Stock set forth below covered by such Warrant. The undersigned, in accordance with Section 3 of the Warrant, hereby agrees to pay the aggregate Exercise Price for such shares of Common Stock in the manner set forth below. A new warrant evidencing the remaining shares of Common Stock covered by such Warrant, but not yet subscribed for and purchased, should be issued in the name set forth below. If the new warrant is being transferred, an opinion of counsel is attached hereto with respect to the transfer of such warrant.

Number of Shares of Common Stock:

Method of Payment of Exercise Price:

Name and Address of Person to be
Issued New Warrant:

Holder:

By:
Name:
Title:

[Form of Notice of Exercise]

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Black-Scholes Assumptions

For the purpose of this Exhibit A:

Acquiror means (A) the third party that has entered into definitive document for a transaction, or (b) the offeror in the event of a tender or exchange offer, that could reasonably result in a Change of Control upon consummation.

Underlying Security Price:	In the event of a merger or acquisition, (A) in the event of an all cash deal, the cash per share offered to the Company's shareholders by the Acquiror; (B) in the event of an all stock deal, (1) in the event of a fixed exchange ratio transaction, the product of (i) the average of the Market Price of the Acquiror's common stock for the ten (10) trading day period ending on the day preceding the date of the Preliminary Control Event and (ii) the number of Acquiror's shares being offered for one share of Common Stock and (2) in the event of a fixed value transaction, the value offered by the Acquiror for one share of Common Stock; (C) in the event of a transaction contemplating various forms of consideration for each share of Common Stock, the cash portion, if any, shall be valued as clause (A) above and the stock portion shall be valued as clause (B) above and any other forms of consideration shall be valued by the Company in good faith, without applying any discounts to such consideration.
Exercise Price:	In the event of all other Change of Control events, the average of the Market Price of the Common Stock for the five (5) trading day period beginning on the date of the Preliminary Control Event. The Exercise Price as adjusted and then in effect for the Warrant at the time of the Preliminary Control Event.
Dividend Rate:	The Company's annualized dividend yield as of the date of the Preliminary Control Event
Interest Rate:	The applicable U.S. 5-year treasury note risk free rate as of the date of the Preliminary Control Event
Model Type:	Black-Scholes
Exercise Type:	American
Put or Call:	Call
Trade Date:	The date of the Preliminary Control Event
Expiration Date:	Expiration Time
Settle Date:	The date of the Preliminary Control Event
Exercise Delay:	0
Volatility:	The average annual volatility over the last 3 years of the Common Stock as listed by Bloomberg L.P., as of the date of the Preliminary Control Event

Such valuation of the Warrant based on the Black-Scholes methodology shall not be discounted in any way. If the Warrantholder disputes such Black-Scholes valuation pursuant to this *Exhibit A* as calculated by the Company, the Company and the Warrantholder will choose a mutually-agreeable firm to compute the valuation of the Warrant using the guidelines above, and such valuation shall be final. The fees and expenses of such firm shall be borne equally by the Company and the Warrantholder.

The Company covenants that it will not close the Change of Control transaction or otherwise facilitate the closing of a tender or exchange offer as referenced above until giving the Warrantholder at least five (5) Business Days to sell or distribute the Common Stock to be received in an exchange and will cooperate with the Warrantholder to ensure that there is an effective registration statement available to facilitate such a sale during such five (5) Business Day period or an effective opportunity is provided in the case of a tender or exchange offer as referenced above to tender such shares in to the offer.

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[Copy]

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO TRANSFER AND OTHER RESTRICTIONS SET FORTH IN AN AMENDED AND RESTATED INVESTMENT AGREEMENT, DATED AS OF FEBRUARY 6, 2008, COPIES OF WHICH ARE ON FILE WITH THE SECRETARY OF THE ISSUER.

B2-WARRANT

to purchase

3,870,000

Shares of Common Stock

dated as of February 6, 2008

MBIA INC.

a Connecticut Corporation

Issue Date: February 6, 2008

1. *Definitions.* Unless the context otherwise requires, when used herein the following terms shall have the meanings indicated.

Affiliate means, with respect to any Person, any Person directly or indirectly controlling, controlled by or under common control with, such other person, *provided*, that with respect to the Company, also includes Channel Reinsurance Ltd. For purposes of this definition, control (including, with correlative meanings, the terms controlled by and under common control with) when used with respect to any Person, means the possession, directly or indirectly, of the power to cause the direction of management or policies of such person, whether through the ownership of voting securities by contract or otherwise.

Applicable Price means the greater of (A) the greater of the Market Price per share of outstanding Common Stock on (i) the date on which the Company issues or sells any Common Stock other than Excluded Stock or (ii) the first date of the announcement of such issuance or sale or (B) the Buy-In Price.

Appraisal Procedure means a procedure whereby two independent appraisers, one chosen by the Company and one by the Warrantholder (or if there is more than one Warrantholder, a majority in interest of Warrantholders), shall mutually agree upon the determinations then the subject of appraisal. Each party shall deliver a notice to the other appointing its appraiser within fifteen (15) days after the Appraisal Procedure is invoked. If within thirty (30) days after appointment of the two appraisers they are unable to agree upon the amount in question, a third independent appraiser shall be chosen within ten (10) days thereafter by the mutual consent of such first two appraisers or, if such first two appraisers fail to agree upon the appointment of a third appraiser, such appointment shall be made by the American Arbitration Association, or any organization successor thereto, from a panel of arbitrators having experience in the appraisal of the subject matter to be appraised. The decision of the third appraiser so appointed and chosen shall be given within thirty (30) days after the selection of such third appraiser. If three appraisers shall be appointed and the

determination of one appraiser is disparate from the middle determination by more than twice the amount by which the other determination is disparate from the middle determination, then the determination of such appraiser shall be excluded, the remaining two determinations shall be averaged and such average shall be binding and conclusive on the Company and the Warrantholder; otherwise, the average of all three determinations shall be binding and conclusive on the Company and the Warrantholder. The costs of conducting any Appraisal Procedure shall be borne by the Warrantholder requesting such Appraisal Procedure, except (A) the fees and expenses of the appraiser appointed by the Company and any other costs incurred by the Company shall be borne by the Company and (B) if such Appraisal Procedure shall result in a determination that is disparate by 5% or more from the Company's initial determination, all costs of conducting such Appraisal Procedure shall be borne by the Company.

Beneficially Own, *Beneficial Owner* and *Beneficial Ownership* are defined in Rules 13d-3 and 13d-5 of the Exchange Act.

Board means the Board of Directors of the Company.

Board Representatives means the two people nominated by the Investor to be elected or appointed, subject to satisfaction of all legal and governance requirements regarding service as a director of the Company, to the Board on the Closing Date (as defined in the Investment Agreement).

Business Combination means a merger, consolidation, statutory share exchange or similar transaction that requires adoption by the Company's stockholders.

Business Day means any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

Buy-In Price means \$12.15.

Capital Stock means (A) with respect to any Person that is a corporation or company, any and all shares, interests, participations or other equivalents (however designated) of capital or capital stock of such Person and (B) with respect to any Person that is not a corporation or company, any and all partnership or other equity interests of such Person.

Change of Control means, with respect to the Company, the occurrence of any one of the following events:

- (A) the Incumbent Directors cease for any reason to constitute at least a majority of the Board; *provided*, that any person becoming a director subsequent to the date of the Investment Agreement whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the relevant party in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director (except that no individuals who were not directors at the time any agreement or understanding with respect to any Business Combination or contested election is reached shall be treated as Incumbent Directors for the purposes of clause (C) below with respect to such Business Combination or this paragraph in the case of a contested election); *provided, further*, that the Board Representatives will be treated as an Incumbent Directors even if the Persons designated to be such Board Representatives should change;
- (B) any Person is or becomes a Beneficial Owner (other than the Investor and its Affiliates), directly or indirectly, of 50% of the aggregate voting power of the Voting Securities; *provided, however*, that the event described in this clause (B) will not be deemed a Change of Control by virtue of any holdings or acquisitions: (i) by the Company or any of its Subsidiaries, (ii) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries; *provided*, that such holdings or acquisitions by any such plan (other than any plan maintained under Section 401(k) of the Internal Revenue Code of 1986, as amended) do not exceed 50% of

the then outstanding Voting Securities, (iii) by any underwriter temporarily holding securities pursuant to an offering of such securities or (iv) pursuant to a Non-Qualifying Transaction;

(C) a Business Combination, to the extent it is not a Non-Qualifying Transaction; or

(D) a plan of liquidation or dissolution of the Company or a sale of all or substantially all of the Company's assets.

Common Stock means the Company's common stock, par value \$1.00 per share, and any Capital Stock for or into which such Common Stock hereafter is exchanged, converted, reclassified or recapitalized by the Company or pursuant to an agreement or Business Combination to which the Company is a party.

Company means MBIA Inc., a Connecticut corporation.

Exchange Act means the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

Excluded Stock means (A) shares of Common Stock issued by the Company as a stock dividend payable in shares of Common Stock, or upon any subdivision or split-up of the outstanding shares of Capital Stock in each case which is subject to Section 13(B), or upon conversion of shares of Capital Stock (but not the issuance of such Capital Stock which will be subject to the provisions of Section 13(A)) and (B) shares of Common Stock to be issued to employees, consultants and advisors of the Company pursuant to options granted prior to the date of issuance of this Warrant and pursuant to options granted after the date of issuance of this Warrant if the exercise price per share of Common Stock on the date of such grant equals or exceeds the Market Price of a share of Common Stock on the date of such grant.

Exercise Approval means any and all shareholder approvals as may be necessary under any applicable law or regulation or requirement of any applicable securities exchange, including but not limited to the applicable New York Stock Exchange rules, such that this Warrant may be exercisable for Shares.

Exercise Price has the meaning given to it in Section 2.

Expiration Time has the meaning given to it in Section 3.

Governmental Entities has the meaning given to it in Section 2.2(d) of the Investment Agreement.

Group means a group as contemplated by Section 13(d)(3) of the Exchange Act.

Incumbent Directors means individuals who on the date of the Investment Agreement constitute the Board.

Investment Agreement means the Amended and Restated Investment Agreement, dated as of February 6, 2008, between the Company and the Investor, including all schedules and exhibits thereto.

Investor means Warburg Pincus Private Equity X, L.P.

Market Price means, with respect to a particular security, on any given day, the last reported sale price regular way or, in case no such reported sale takes place on such day, the average of the last closing bid and ask prices regular way, in either case on the principal national securities exchange on which the applicable securities are listed or admitted to trading, or if not listed or admitted to trading on any national securities exchange, (A) the closing sale price for such day reported by the Nasdaq Global Market if such security is traded over-the-counter and quoted in the Nasdaq Global Market, or (B) if such security is so traded, but not so quoted, the average of the closing reported bid and ask prices of such security as reported by the Nasdaq Global Market or any comparable system, or (C) if such security is not listed on the Nasdaq Global Market or any comparable system, the average of the closing bid and ask prices as furnished by two members of the National Association of Securities Dealers, Inc. selected from time to time by the Company for that purpose. If such security is not listed and traded in a manner that the quotations referred to above are available for the period required hereunder, the Market Price per share of Common Stock shall be deemed to be the fair value per share of such security as determined in good faith by the Board of Directors of the Company.

Non-Qualifying Transaction means any Business Combination that satisfies all of the following criteria: (A) more than 50% of the total voting power of the surviving corporation resulting from a Business Combination, or, if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the surviving corporation, is represented by Voting Securities that were outstanding immediately before such Business Combination (or, if applicable, is represented by shares into which such Voting Securities were converted pursuant to such Business Combination) and (B) at least a majority of the members of the board of directors of the parent corporation (or, if there is no parent corporation, the surviving corporation) following the consummation of the Business Combination were Incumbent Directors at the time the Company's Board approved the execution of the initial agreement providing for such Business Combination.

Ordinary Cash Dividends means a regular quarterly cash dividend out of surplus or net profits legally available therefor (determined in accordance with generally accepted accounting principles, consistently applied) and consistent with past practice.

Person has the meaning given to it in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act.

Preliminary Control Event means, with respect to the Company, (A) the execution of definitive documentation for a transaction or (B) the recommendation that stockholders tender in response to a tender or exchange offer, that could reasonably result in a Change of Control upon consummation.

Pro Rata Repurchases means any purchase of shares of Common Stock by the Company or any Affiliate thereof pursuant to any tender offer or exchange offer subject to Section 13(e) of the Exchange Act, or pursuant to any other offer available to substantially all holders of Common Stock, whether for cash, shares of Capital Stock of the Company, other securities of the Company, evidences of indebtedness of the Company or any other person or any other property (including, without limitation, shares of Capital Stock, other securities or evidences of indebtedness of a subsidiary of the Company), or any combination thereof, effected while this Warrant is outstanding; *provided*, however, that *Pro Rata Repurchase* shall not include any purchase of shares by the Company or any Affiliate thereof made in accordance with the requirements of Rule 10b-18 as in effect under the Exchange Act. The *Effective Date* of a *Pro Rata Repurchase* shall mean the date of acceptance of shares for purchase or exchange under any tender or exchange offer which is a *Pro Rata Repurchase* or the date of purchase with respect to any *Pro Rata Repurchase* that is not a tender or exchange offer.

Rights Offering has the meaning given to it in Section 4.10(a) of the Investment Agreement.

Securities has the meaning given to it in the recitals of the Investment Agreement.

Securities Act means the Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

Shares is defined in Section 2.

Subsidiary of a Person means those corporations, banks, savings banks, associations and other Persons of which such Person owns or controls 51% or more of the outstanding equity securities either directly or through an unbroken chain of entities, as to each of which 51% or more of the outstanding equity securities is owned directly or indirectly by its parent; *provided, however*, that there shall not be included any such entity to the extent that the equity securities of such entity were acquired in satisfaction of a debt previously contracted in good faith or are owned or controlled in a *bona fide* fiduciary capacity.

Voting Securities means the Company's then outstanding securities eligible to vote for the election of directors.

Warrantholder has the meaning given to it in Section 2.

Warrants means this Warrant, issued to the Investor pursuant to the Investment Agreement.

2. *Number of Shares; Exercise Price.* This certifies that, for value received, Warburg Pincus Private Equity X, L.P., its affiliates or its registered assigns (the *Warrantholder*) is entitled, upon the terms and subject to the conditions hereinafter set forth, to acquire from the Company, in whole or in part, up to an aggregate of 3,870,000 fully paid and nonassessable shares of Common Stock, par value \$1.00 per share (the *Shares*), of the Company, at a purchase price of \$16.20 per Share (the *Exercise Price*). The number of Shares and the Exercise Price are subject to adjustment as provided herein, and all references to Shares, Common Stock and Exercise Price herein shall be deemed to include any such adjustment or series of adjustments.
3. *Exercise of Warrant; Term.* To the extent permitted by applicable laws and regulations, including but not limited to the insurance laws of the States of New York and Illinois, the right to purchase the Shares represented by this Warrant are exercisable, in whole or in part by the Warrantholder, at any time or from time to time after 9:00 a.m., New York City time, on the date hereof, but in no event later than 11:59 p.m., New York City time, on the seventh anniversary of the date of issuance of the Warrant (the *Expiration Time*), by (A) the surrender of this Warrant and Notice of Exercise annexed hereto, duly completed and executed on behalf of the Warrantholder, at the office of the Company in Armonk, New York (or such other office or agency of the Company in the United States as it may designate by notice in writing to the Warrantholder at the address of the Warrantholder appearing on the books of the Company), and (B) payment of the Exercise Price for the Shares thereby purchased at the election of the Warrantholder in one of the following manners:

- (i) by tendering in cash, by certified or cashier's check or by wire transfer payable to the order of the Company; or
- (ii) by having the Company withhold shares of Common Stock issuable upon exercise of the Warrant equal in value to the aggregate Exercise Price as to which this Warrant is so exercised based on the Market Price of the Common Stock on the trading day prior to the date on which this Warrant and the Notice of Exercise are delivered to the Company.

If the Warrantholder does not exercise this Warrant in its entirety, the Warrantholder will be entitled to receive from the Company within a reasonable time, and in any event not exceeding three (3) Business Days, a new warrant in substantially identical form for the purchase of that number of Shares equal to the difference between the number of Shares subject to this Warrant and the number of Shares as to which this Warrant is so exercised. Notwithstanding anything in this Warrant to the contrary, prior to obtaining the Exercise Approval, the Warrantholder may only exercise this Warrant in the manner permitted by Section 3(B)(ii) and upon any such exercise receive, in lieu of the shares of Common Stock, cash in an amount equal to the product of (x) the number of shares of Common Stock that would have been otherwise issuable and (y) the Market Price of the Common Stock on the trading day prior to the date on which this Warrant and the Notice of Exercise are delivered to the Company, such amount being paid by certified or cashier's check or by wire transfer in same day funds no later than the third Business Day following such exercise; *provided*, however, that at its option, the Company may pay such amount in four quarterly payments, the first payment of which shall be made no more than three (3) Business Days following such exercise by the Warrantholder; *provided*, further, that each such quarterly payment shall not be for an amount less than 25% of the total amount of such aggregate payment obligation (except for the final payment), and in each case, plus interest computed at the Company's borrowing rate under its revolving credit facility.

4. *Issuance of Shares; Authorization; Listing.* Certificates for Shares issued upon exercise of this Warrant will be issued in such name or names as the Warrantholder may designate and will be delivered to such named Person or Persons within a reasonable time, not to exceed three (3) Business Days after the date on which this Warrant has been duly exercised in accordance with the terms of this Warrant. The Company hereby represents and warrants that any Shares issued upon the exercise of this Warrant in accordance with the provisions of Section 3 will, upon such exercise, be duly and validly authorized and issued, fully paid and nonassessable and free from all taxes, liens and charges (other than liens or charges created by the Warrantholder or taxes in respect of any transfer occurring contemporaneously therewith). The Company

agrees that the Shares so issued will be deemed to have been issued to the Warrantholder as of the close of business on the date on which this Warrant and payment of the Exercise Price are delivered to the Company in accordance with the terms of this Warrant, notwithstanding that the stock transfer books of the Company may then be closed or certificates representing such Shares may not be actually delivered on such date. The Company will, beginning at a time prior to the Exercise Approval and thereafter at all times, reserve and keep available, out of its authorized but unissued Common Stock, solely for the purpose of providing for the exercise of this Warrant, the aggregate number of shares of Common Stock issuable upon exercise of this Warrant. The Company will (i) procure, at its sole expense, the listing of the Shares and other securities issuable upon exercise of this Warrant, including but not limited to those Shares issuable pursuant to Section 13 of this Warrant, subject to issuance or notice of issuance on all stock exchanges on which the Common Stock are then listed or traded and (ii) maintain the listing of such Shares after issuance. The Company will use commercially reasonable efforts to ensure that the Shares may be issued without violation of any applicable law or regulation or of any requirement of any securities exchange on which the Shares are listed or traded.

5. *No Fractional Shares or Scrip.* No fractional Shares or scrip representing fractional Shares shall be issued upon any exercise of this Warrant. In lieu of any fractional Share to which the Warrantholder would otherwise be entitled, the Warrantholder shall be entitled to receive a cash payment equal to the Market Price of the Common Stock less the Exercise Price for such fractional share.
6. *No Rights as Shareholders; Transfer Books.* This Warrant does not entitle the Warrantholder to any voting rights or other rights as a shareholder of the Company prior to the date of exercise hereof. The Company will at no time close its transfer books against transfer of this Warrant in any manner which interferes with the timely exercise of this Warrant.
7. *Charges, Taxes and Expenses.* Issuance of certificates for Shares to the Warrantholder upon the exercise of this Warrant shall be made without charge to the Warrantholder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company.
8. *Transfer/Assignment.*
 - (A) Subject to compliance with clause (B) of this Section 8, without obtaining the consent of the Company to assign or transfer this Warrant, this Warrant and all rights hereunder are transferable, in whole or in part, upon the books of the Company by the registered holder hereof in person or by duly authorized attorney, and a new warrant shall be made and delivered by the Company, of the same tenor and date as this Warrant but registered in the name of the transferee, upon surrender of this Warrant, duly endorsed, to the office or agency of the Company described in Section 2. All expenses (other than stock transfer taxes) and other charges payable in connection with the preparation, execution and delivery of the new warrants pursuant to this Section 8 shall be paid by the Company.
 - (B) Notwithstanding the foregoing, this Warrant and any rights hereunder, and any Shares issued upon exercise of this Warrant, shall be subject to the applicable restrictions as set forth in Section 4.2 of the Investment Agreement.
 - (C) Notwithstanding anything herein to the contrary, nothing shall prevent any hedging transactions by the Warrantholder or its transferees.
9. *Exchange and Registry of Warrant.* This Warrant is exchangeable, upon the surrender hereof by the Warrantholder to the Company, for a new warrant or warrants of like tenor and representing the right to purchase the same aggregate number of Shares. The Company shall maintain a registry showing the name and address of the Warrantholder as the registered holder of this Warrant. This Warrant may be surrendered for exchange or exercise, in accordance with its terms, at the office of the Company, and the Company shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

10. *Loss, Theft, Destruction or Mutilation of Warrant.* Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and in the case of any such loss, theft or destruction, upon receipt of an indemnity or security reasonably satisfactory to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Warrant, the Company shall make and deliver, in lieu of such lost, stolen, destroyed or mutilated Warrant, a new Warrant of like tenor and representing the right to purchase the same aggregate number of Shares as provided for in such lost, stolen, destroyed or mutilated Warrant.
11. *Saturdays, Sundays, Holidays, etc.* If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding day that is a Business Day.
12. *Rule 144 Information.* The Company covenants that it will use its reasonable best efforts to timely file all reports and other documents required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations promulgated by the U.S. Securities and Exchange Commission thereunder (or, if the Company is not required to file such reports, it will, upon the request of any Warrantholder, make publicly available such information as necessary to permit sales pursuant to Rule 144), and it will use reasonable best efforts to take such further action as any Warrantholder may reasonably request, all to the extent required from time to time to enable such holder to sell the Warrants without registration under the Securities Act within the limitation of the exemptions provided by (i) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (ii) any similar rule or regulation hereafter adopted by the Securities and Exchange Commission. Upon the written request of any Warrantholder, the Company will deliver to such Warrantholder a written statement that it has complied with such requirements.
13. *Adjustments and Other Rights.* The Exercise Price and the number of Shares issuable upon exercise of this Warrant shall be subject to adjustment from time to time as follows; *provided*, that no single event shall be subject to adjustment under more than one subsection of this Section 13 so as to result in duplication:
 - (A) *Common Stock Issued at Less than the Applicable Price.* If the Company issues or sells any Common Stock other than Excluded Stock for consideration per share less than the Applicable Price, then the Exercise Price in effect immediately prior to each such issuance or sale will immediately (except as provided below) be reduced to the price determined by multiplying the Exercise Price in effect immediately prior to such issuance or sale by a fraction, (x) the numerator of which shall be (1) the number of shares of Common Stock outstanding immediately prior to such issuance or sale plus (2) the number of shares of Common Stock which the aggregate consideration received by the Company for the total number of such additional shares of Common Stock so issued or sold would purchase at the Applicable Price, and (y) the denominator of which shall be the number of shares of Common Stock outstanding immediately after such issuance or sale. In such event, the number of shares of Common Stock issuable upon the exercise of this Warrant shall be increased to the number obtained by dividing (x) the product of (1) the number of Shares issuable upon the exercise of this Warrant before such adjustment and (2) the Exercise Price in effect immediately prior to the issuance or sale giving rise to this adjustment, by (y) the new Exercise Price determined in accordance with the immediately preceding sentence. For the purposes of any adjustment of the Exercise Price and the number of Shares issuable upon exercise of this Warrant pursuant to this Section 13(A), the following provisions shall be applicable, *provided*, however, no increase in the Exercise Price or reduction in the number of Shares issuable upon exercise of this Warrant shall be made pursuant to subclauses (i) or (ii) of this Section 13(A):
 - (i) In the case of the issuance or sale of Common Stock for cash, the amount of the consideration received by the Company shall be deemed to be the amount of the gross cash proceeds received by the Company for such Common Stock before deducting therefrom any discounts or commissions allowed, paid or incurred by the Company for any underwriting or otherwise in connection with the issuance and sale thereof.

- (ii) In the case of the issuance or sale of Common Stock (otherwise than upon the conversion of shares of Capital Stock or other securities of the Company) for a consideration in whole or in part other than cash, including securities acquired in exchange therefor (other than securities by their terms so exchangeable), the consideration other than cash shall be deemed to be the fair value thereof as determined by the Board, before deducting therefrom any discounts or commissions allowed, paid or incurred by the Company for any underwriting or otherwise in connection with the issuance and sale thereof, *provided*, however, that such per share fair value as determined by the Board shall not exceed the Applicable Price.

- (iii) In the case of the issuance of (1) options, warrants or other rights to purchase or acquire Common Stock (whether or not at the time exercisable) or (2) securities by their terms convertible into or exchangeable for Common Stock (whether or not at the time so convertible or exchangeable) or options, warrants or rights to purchase such convertible or exchangeable securities (whether or not at the time exercisable):
 - (1) The aggregate maximum number of shares of Common Stock deliverable upon exercise of such options, warrants or other rights to purchase or acquire Common Stock shall be deemed to have been issued at the time such options, warrants or rights are issued and for a consideration equal to the consideration (determined in the manner provided in Section 13(A)(i) and (ii)), if any, received by the Company upon the issuance or sale of such options, warrants or rights plus the minimum purchase price provided in such options, warrants or rights for the Common Stock covered thereby.

 - (2) The aggregate maximum number of shares of Common Stock deliverable upon conversion of or in exchange for any such convertible or exchangeable securities, or upon the exercise of options, warrants or other rights to purchase or acquire such convertible or exchangeable securities and the subsequent conversion or exchange thereof, shall be deemed to have been issued at the time such securities were issued or such options, warrants or rights were issued and for a consideration equal to the consideration, if any, received by the Company for any such securities and related options, warrants or rights (excluding any cash received on account of accrued interest or accrued dividends), plus the additional consideration (in each case, determined in the manner provided in Section 13(A)(i) and (ii)), if any, to be received by the Company upon the conversion or exchange of such securities, or upon the exercise of any related options, warrants or rights to purchase or acquire such convertible or exchangeable securities and the subsequent conversion or exchange thereof.

 - (3) On any change in the number of shares of Common Stock deliverable upon exercise of any such options, warrants or rights or conversion or exchange of such convertible or exchangeable securities or any change in the consideration to be received by the Company upon such exercise, conversion or exchange, but excluding changes resulting from the anti-dilution provisions thereof (to the extent comparable to the anti-dilution provisions contained herein), the Exercise Price and the number of Shares issuable upon exercise of this Warrant as then in effect shall forthwith be readjusted to such Exercise Price and number of Shares as would have been obtained had an adjustment been made upon the issuance or sale of such options, warrants or rights not exercised prior to such change, or of such convertible or exchangeable securities not converted or exchanged prior to such change, upon the basis of such change.

 - (4) On the expiration or cancellation of any such options, warrants or rights (without exercise), or the termination of the right to convert or exchange such convertible or exchangeable securities (without exercise), if the Exercise Price and the number of Shares issuable upon exercise of this Warrant shall have been adjusted upon the issuance or sale thereof, the Exercise Price and the number of Shares issuable upon exercise of this Warrant shall forthwith be readjusted to such Exercise Price and number of Shares as would have been

obtained had an adjustment been made upon the issuance or sale of such options, warrants, rights or such convertible or exchangeable securities on the basis of the issuance of only the number of shares of Common Stock actually issued upon the exercise of such options, warrants or rights, or upon the conversion or exchange of such convertible or exchangeable securities.

- (5) If the Exercise Price and the number of Shares issuable upon exercise of this warrant shall have been adjusted upon the issuance or sale of any such options, warrants, rights or convertible or exchangeable securities, no further adjustment of the Exercise Price and the number of Shares issuable upon exercise of this Warrant shall be made for the actual issuance of Common Stock upon the exercise, conversion or exchange thereof; *provided*, however, that no increase in the Exercise Price or reduction in the number of Shares issuable upon exercise of this Warrant shall be made pursuant to subclauses (1) or (2) of this Section 13(A)(iii).

- (iv) For the avoidance of doubt, (i) the Company's issuance or sale of shares of Common Stock in the Rights Offering to the extent not purchased by the Investor pursuant to Section 4.10 of the Investment Agreement shall be subject to the provisions of this Section 13(A) and (ii) the Company's issuance or sale of shares of Common Stock in the Rights Offering to the extent purchased by the Investor pursuant to Section 4.10 of the Investment Agreement shall not be subject to the provisions of this Section 13(A).

- (B) *Stock Splits, Subdivisions, Reclassifications or Combinations.* If the Company shall (i) declare a dividend or make a distribution on its Common Stock in shares of Common Stock, (ii) subdivide or reclassify the outstanding shares of Common Stock into a greater number of shares, or (iii) combine or reclassify the outstanding Common Stock into a smaller number of shares, the number of Shares issuable upon exercise of this Warrant at the time of the record date for such dividend or distribution or the effective date of such subdivision, combination or reclassification shall be proportionately adjusted so that the Warrantholder after such date shall be entitled to purchase the number of shares of Common Stock which such holder would have owned or been entitled to receive after such date had this Warrant been exercised immediately prior to such date. In such event, the Exercise Price in effect at the time of the record date for such dividend or distribution or the effective date of such subdivision, combination or reclassification shall be adjusted to the number obtained by dividing (x) the product of (1) the number of Shares issuable upon the exercise of this Warrant before such adjustment and (2) the Exercise Price in effect immediately prior to the issuance giving rise to this adjustment by (y) the new number of shares issuable upon exercise of the Warrant determined pursuant to the immediately preceding sentence.

- (C) *Other Distributions.* In case the Company shall fix a record date for the making of a distribution to all holders of shares of its Common Stock (i) of shares of any class other than its Common Stock, (ii) of evidence of indebtedness of the Company or any Subsidiary, (iii) of assets (excluding Ordinary Cash Dividends, and dividends or distributions referred to in Section 13(B)), or (iv) of rights or warrants (excluding those referred to in Section 13(B)), in each such case, the Exercise Price in effect prior thereto shall be reduced immediately thereafter to the price determined by dividing (x) an amount equal to the difference resulting from (1) the number of shares of Common Stock outstanding on such record date multiplied by the Exercise Price per Share on such record date, less (2) the fair market value (as reasonably determined by the Board) of said shares or evidences of indebtedness or assets or rights or warrants to be so distributed, by (y) the number of shares of Common Stock outstanding on such record date; such adjustment shall be made successively whenever such a record date is fixed. In such event, the number of shares of Common Stock issuable upon the exercise of this Warrant shall be increased to the number obtained by dividing (x) the product of (1) the number of Shares issuable upon the exercise of this Warrant before such adjustment, and (2) the Exercise Price in effect immediately prior to the issuance giving rise to this adjustment by (y) the new Exercise Price determined in accordance with the immediately preceding sentence. In the event that such distribution is not so made, the Exercise Price

and the number of Shares issuable upon exercise of this Warrant then in effect shall be readjusted, effective as of the date when the Board determines not to distribute such shares, evidences of indebtedness, assets, rights or warrants, as the case may be, to the Exercise Price that would then be in effect and the number of Shares that would then be issuable upon exercise of this Warrant if such record date had not been fixed.

- (D) *Certain Repurchases of Common Stock.* In case the Company effects a Pro Rata Repurchase of Common Stock, then the Exercise Price shall be reduced to the price determined by multiplying the Exercise Price in effect immediately prior to the effective date of such Pro Rata Repurchase by a fraction of which the numerator shall be (i) the product of (x) the number of shares of Common Stock outstanding immediately before such Pro Rata Repurchase and (y) the Market Price of a share of Common Stock on the trading day immediately preceding the first public announcement by the Company or any of its Affiliates of the intent to effect such Pro Rata Repurchase, minus (ii) the aggregate purchase price of the Pro Rata Repurchase, and of which the denominator shall be the product of (i) the number of shares of Common Stock outstanding immediately prior to such Pro Rata Repurchase minus the number of shares of Common Stock so repurchased and (ii) the Market Price per share of Common Stock on the trading day immediately preceding the first public announcement of such Pro Rata Repurchase. In such event, the number of shares of Common Stock issuable upon the exercise of this Warrant shall be increased to the number obtained by dividing (x) the product of (1) the number of Shares issuable upon the exercise of this Warrant before such adjustment, and (2) the Exercise Price in effect immediately prior to the Pro Rata Repurchase giving rise to this adjustment by (y) the new Exercise Price determined in accordance with the immediately preceding sentence.
- (E) *Business Combinations.* Subject to Section 14 of this Warrant, in case of any Business Combination or reclassification of Common Stock (other than a reclassification of Common Stock referred to in Section 13(B)), any Shares issued or issuable upon exercise of this Warrant after the date of such Business Combination or reclassification, shall be exchangeable for the number of shares of stock or other securities or property (including cash) to which the Common Stock issuable (at the time of such Business Combination or reclassification) upon exercise of this Warrant immediately prior to such Business Combination or reclassification would have been entitled upon such Business Combination or reclassification; and in any such case, if necessary, the provisions set forth herein with respect to the rights and interests thereafter of the Warrantholder shall be appropriately adjusted so as to be applicable, as nearly as may reasonably be, to any shares of stock or other securities or property thereafter deliverable on the exercise of this Warrant. In determining the kind and amount of stock, securities or the property receivable upon consummation of such Business Combination, if the holders of Common Stock have the right to elect the kind or amount of consideration receivable upon consummation of such Business Combination, then the Warrantholder shall have the right to make a similar election upon exercise of this Warrant with respect to the number of shares of stock or other securities or property which the Warrantholder will receive upon exercise of this Warrant.
- (F) *Rounding of Calculations; Minimum Adjustments.* All calculations under this Section 13 shall be made to the nearest one-tenth (1/10th) of a cent or to the nearest one-hundredth (1/100th) of a share, as the case may be. Any provision of this Section 13 to the contrary notwithstanding, no adjustment in the Exercise Price or the number of Shares into which this Warrant is exercisable shall be made if the amount of such adjustment would be less than \$0.01 or one-tenth (1/10th) of a share of Common Stock, respectively, but any such amount shall be carried forward and an adjustment with respect thereto shall be made at the time of and together with any subsequent adjustment which, together with such amount and any other amount or amounts so carried forward, shall aggregate \$0.01 or 1/10th of a share of Common Stock, respectively, or more.
- (G) *Timing of Issuance of Additional Common Stock Upon Certain Adjustments.* In any case in which the provisions of this Section 13 shall require that an adjustment shall become effective immediately after a record date for an event, the Company may defer until the occurrence of such event (i) issuing to the Warrantholder of this Warrant exercised after such record date and before the occurrence of such event

the additional shares of Common Stock issuable upon such exercise by reason of the adjustment required by such event over and above the shares of Common Stock issuable upon such exercise before giving effect to such adjustment and (ii) paying to such Warrantholder any amount of cash in lieu of a fractional share of Common Stock; *provided*, however, that the Company upon request shall deliver to such Warrantholder a due bill or other appropriate instrument evidencing such Warrantholder's right to receive such additional shares, and such cash, upon the occurrence of the event requiring such adjustment.

- (H) *Adjustment for Unspecified Actions.* If the Company takes any action affecting the Common Stock, other than actions described in this Section 13, which in the opinion of the Board would adversely affect the exercise rights of the Warrantholder, the Exercise Price for the Warrants and/or the number of Shares received upon exercise of the Warrant shall be adjusted for the Warrantholder's benefit, to the extent permitted by law, in such manner, and at such time, as such Board after consultation with the Investor shall reasonably determine to be equitable in the circumstances. Failure of the Board to provide for any such adjustment will be evidence that the Board has determined that it is equitable to make no such adjustments in the circumstances.
- (I) *Statement Regarding Adjustments.* Whenever the Exercise Price or the number of Shares into which this Warrant is exercisable shall be adjusted as provided in Section 13, the Company shall forthwith file at the principal office of the Company a statement showing in reasonable detail the facts requiring such adjustment and the Exercise Price that shall be in effect and the number of Shares into which this Warrant shall be exercisable after such adjustment, and the Company shall also cause a copy of such statement to be sent by mail, first class postage prepaid, to each Warrantholder at the address appearing in the Company's records.
- (J) *Notice of Adjustment Event.* In the event that the Company shall propose to take any action of the type described in this Section 13 (but only if the action of the type described in this Section 13 would result in an adjustment in the Exercise Price or the number of Shares into which this Warrant is exercisable or a change in the type of securities or property to be delivered upon exercise of this Warrant), the Company shall give notice to the Warrantholder, in the manner set forth in Section 13(I), which notice shall specify the record date, if any, with respect to any such action and the approximate date on which such action is to take place. Such notice shall also set forth the facts with respect thereto as shall be reasonably necessary to indicate the effect on the Exercise Price and the number, kind or class of shares or other securities or property which shall be deliverable upon exercise of this Warrant. In the case of any action which would require the fixing of a record date, such notice shall be given at least 10 days prior to the date so fixed, and in case of all other action, such notice shall be given at least 15 days prior to the taking of such proposed action. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any such action.
- (K) *No Impairment.* The Company will not, by amendment of its Articles or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in taking of all such action as may be necessary or appropriate in order to protect the rights of the Warrantholder.
- (L) *Proceedings Prior to Any Action Requiring Adjustment.* As a condition precedent to the taking of any action which would require an adjustment pursuant to this Section 13, the Company shall take any action which may be necessary, including obtaining regulatory, New York Stock Exchange or stockholder approvals or exemptions, in order that the Company may thereafter validly and legally issue as fully paid and nonassessable all shares of Common Stock that the Warrantholder is entitled to receive upon exercise of this Warrant pursuant to this Section 13.
- (M) *Adjustment Rules.* Any adjustments pursuant to this Section 13 shall be made successively whenever an event referred to herein shall occur. If an adjustment in Exercise Price made hereunder would reduce

the Exercise Price to an amount below par value of the Common Stock, then such adjustment in Exercise Price made hereunder shall reduce the Exercise Price to the par value of the Common Stock.

14. *Change of Control.* Upon the occurrence of a Preliminary Control Event, and by delivering written notice thereof to the Company, the Warrantholder may cause the Company to purchase any Warrant, in whole or in part, acquired hereunder that the Warrantholder then holds, at a valuation based on a computation of the option value of the Warrant using Black-Scholes calculation methods and making the assumptions described in the Black-Scholes methodology described in *Exhibit A*. Payment by the Company to the Warrantholder of such purchase price shall be due only upon the occurrence of the Change in Control and on the date of the occurrence of the Change of Control, subject to the mechanics described in the last paragraph of *Exhibit A*. At the election of the Company, all or any portion of such purchase price may be paid in Shares valued at the Market Price of a share of Common Stock as of (A) the last trading day prior to the date on which this payment occurs or (B) the first date of the announcement of such Preliminary Control Event (whichever is less), so long as such payment does not cause the Company to fail to comply with applicable New York Stock Exchange requirements or the requirements of any other Governmental Entities. To the extent that a payment in Common Shares would cause the Company to fail to comply with New York Stock Exchange rules, once the maximum number of Shares has been paid, the remainder of such purchase price may be paid in the form of cash. The Company agrees that it will not take any action resulting in a Preliminary Control Event in the absence of definitive documentation providing for such election right of the Warrantholder pursuant to this Section 14. Under no circumstances shall the Warrantholder be restricted from engaging in any hedging or derivative program reasonably necessary in the opinion of the Warrantholder to secure the option value of this Warrant so adjusted.
15. *Contest and Appraisal Rights.* Upon each determination of Market Price or fair market value, as the case may be, hereunder, the Company shall promptly give notice thereof to the Warrantholder, setting forth in reasonable detail the calculation of such Market Price or fair market value, and the method and basis of determination thereof, as the case may be. If the Warrantholder (or if there is more than one Warrantholder, a majority in interest of Warrantholders) shall disagree with such determination and shall, by notice to the Company given within fifteen (15) days after the Company's notice of such determination, elect to dispute such determination, such dispute shall be resolved in accordance with this Section 15. In the event that a determination of Market Price, or fair market value (if such determination solely involves Market Price), is disputed, such dispute shall be submitted, at the Company's expense, to a New York Stock Exchange member firm selected by the Company and acceptable to the Warrantholder, whose determination of Market Price or fair market value, as the case may be, shall be binding on the Company and the Warrantholder. In the event that a determination of fair market value, other than a determination solely involving Market Price, is disputed, such dispute shall be resolved through the Appraisal Procedure.
16. *Governing Law.* This Warrant shall be binding upon any successors or assigns of the Company. This Warrant shall constitute a contract under the laws of New York and for all purposes shall be construed in accordance with and governed by the laws of New York, without giving effect to the conflict of laws principles.
17. *Attorneys' Fees.* In any litigation, arbitration or court proceeding between the Company and the Warrantholder as the holder of this Warrant relating hereto, the prevailing party shall be entitled to reasonable attorneys' fees and expenses incurred in enforcing this Warrant.
18. *Amendments.* This Warrant may be amended and the observance of any term of this Warrant may be waived only with the written consent of the Company and the Warrantholder.
19. *Notices.* All notices hereunder shall be in writing and shall be effective (A) on the day on which delivered if delivered personally or transmitted by telex or telegram or telecopier with evidence of receipt, (B) one Business Day after the date on which the same is delivered to a nationally recognized overnight courier service with evidence of receipt, or (C) five Business Days after the date on which the same is deposited, postage prepaid, in the U.S. mail, sent by certified or registered mail, return receipt requested, and addressed to the party to be notified at the address indicated below for the Company, or at the address for the

Warrantholder set forth in the registry maintained by the Company pursuant to Section 9, or at such other address and/or telecopy or telex number and/or to the attention of such other person as the Company or the Warrantholder may designate by ten-day advance written notice.

20. *Prohibited Actions.* The Company agrees that it will not take any action which would entitle the Warrantholder to an adjustment of the Exercise Price if the total number of shares of Common Stock issuable after such action upon exercise of this Warrant, together with all shares of Common Stock then outstanding and all shares of Common Stock then issuable upon the exercise of all outstanding options, warrants, conversion and other rights, would exceed the total number of shares of Common Stock then authorized by its Restated Articles of Incorporation.
21. *Entire Agreement.* This Warrant and the forms attached hereto, and the Investment Agreement, contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior and contemporaneous arrangements or undertakings with respect thereto.

[Remainder of page intentionally left blank]

[Copy]

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by a duly authorized officer.

Dated: February 6, 2008

MBIA INC.

By: /s/ C. Edward Chaplin
Name: C. Edward Chaplin
Title: Vice President & Chief Financial Officer

Attest:

By: /s/ Ram D. Wertheim
Name: Ram D. Wertheim
Title: Vice President, Secretary & General Counsel

Acknowledged and Agreed:

**WARBURG PINCUS
PRIVATE EQUITY X, L.P.**

By: Warburg Pincus X L.P., its general
partner
By: Warburg Pincus X LLC, its general
partner
By: Warburg Pincus Partners LLC, its sole
member
By: Warburg Pincus & Co., its managing
member

By: /s/ David Coulter
Name: David Coulter
Title: Managing Director

[Signature Page to B2-Warrant]

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[Form Of Notice Of Exercise]

Date:

TO: MBIA Inc.

RE: Election to Subscribe for and Purchase Common Stock

The undersigned, pursuant to the provisions set forth in the attached Warrant, hereby agrees to subscribe for and purchase the number of shares of the Common Stock set forth below covered by such Warrant. The undersigned, in accordance with Section 3 of the Warrant, hereby agrees to pay the aggregate Exercise Price for such shares of Common Stock in the manner set forth below. A new warrant evidencing the remaining shares of Common Stock covered by such Warrant, but not yet subscribed for and purchased, should be issued in the name set forth below. If the new warrant is being transferred, an opinion of counsel is attached hereto with respect to the transfer of such warrant.

Number of Shares of Common Stock: _____

Method of Payment of Exercise Price: _____

Name and Address of Person to be

Issued New Warrant: _____

Holder: _____

By: _____

Name: _____

Title: _____

[Form of Notice of Exercise]

Black-Scholes Assumptions

For the purpose of this Exhibit A:

Acquiror means (A) the third party that has entered into definitive document for a transaction, or (b) the offeror in the event of a tender or exchange offer, that could reasonably result in a Change of Control upon consummation.

Underlying Security Price:	In the event of a merger or acquisition, (A) in the event of an all cash deal, the cash per share offered to the Company's shareholders by the Acquiror; (B) in the event of an all stock deal, (1) in the event of a fixed exchange ratio transaction, the product of (i) the average of the Market Price of the Acquiror's common stock for the ten (10) trading day period ending on the day preceding the date of the Preliminary Control Event and (ii) the number of Acquiror's shares being offered for one share of Common Stock and (2) in the event of a fixed value transaction, the value offered by the Acquiror for one share of Common Stock; (C) in the event of a transaction contemplating various forms of consideration for each share of Common Stock, the cash portion, if any, shall be valued as clause (A) above and the stock portion shall be valued as clause (B) above and any other forms of consideration shall be valued by the Company in good faith, without applying any discounts to such consideration.
Exercise Price:	In the event of all other Change of Control events, the average of the Market Price of the Common Stock for the five (5) trading day period beginning on the date of the Preliminary Control Event. The Exercise Price as adjusted and then in effect for the Warrant at the time of the Preliminary Control Event.
Dividend Rate:	The Company's annualized dividend yield as of the date of the Preliminary Control Event
Interest Rate:	The applicable U.S. 5-year treasury note risk free rate as of the date of the Preliminary Control Event
Model Type:	Black-Scholes
Exercise Type:	American
Put or Call:	Call
Trade Date:	The date of the Preliminary Control Event
Expiration Date:	Expiration Time
Settle Date:	The date of the Preliminary Control Event
Exercise Delay:	0
Volatility:	The average annual volatility over the last 3 years of the Common Stock as listed by Bloomberg L.P., as of the date of the Preliminary Control Event

Such valuation of the Warrant based on the Black-Scholes methodology shall not be discounted in any way. If the Warrantholder disputes such Black-Scholes valuation pursuant to this *Exhibit A* as calculated by the Company, the Company and the Warrantholder will choose a mutually-agreeable firm to compute the valuation of the Warrant using the guidelines above, and such valuation shall be final. The fees and expenses of such firm shall be borne equally by the Company and the Warrantholder.

The Company covenants that it will not close the Change of Control transaction or otherwise facilitate the closing of a tender or exchange offer as referenced above until giving the Warrantholder at least five (5) Business Days to sell or distribute the Common Stock to be received in an exchange and will cooperate with the Warrantholder to ensure that there is an effective registration statement available to facilitate such a sale during such five (5) Business Day period or an effective opportunity is provided in the case of a tender or exchange offer as referenced above to tender such shares in to the offer.

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[Copy]

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO TRANSFER AND OTHER RESTRICTIONS SET FORTH IN AN AMENDED AND RESTATED INVESTMENT AGREEMENT, DATED AS OF FEBRUARY 6, 2008, COPIES OF WHICH ARE ON FILE WITH THE SECRETARY OF THE ISSUER.

B2-WARRANT

to purchase

130,000

Shares of Common Stock

dated as of February 6, 2008

MBIA INC.

a Connecticut Corporation

Issue Date: February 6, 2008

1. *Definitions.* Unless the context otherwise requires, when used herein the following terms shall have the meanings indicated.

Affiliate means, with respect to any Person, any Person directly or indirectly controlling, controlled by or under common control with, such other person, *provided*, that with respect to the Company, also includes Channel Reinsurance Ltd. For purposes of this definition, control (including, with correlative meanings, the terms controlled by and under common control with) when used with respect to any Person, means the possession, directly or indirectly, of the power to cause the direction of management or policies of such person, whether through the ownership of voting securities by contract or otherwise.

Applicable Price means the greater of (A) the greater of the Market Price per share of outstanding Common Stock on (i) the date on which the Company issues or sells any Common Stock other than Excluded Stock or (ii) the first date of the announcement of such issuance or sale or (B) the Buy-In Price.

Appraisal Procedure means a procedure whereby two independent appraisers, one chosen by the Company and one by the Warrantholder (or if there is more than one Warrantholder, a majority in interest of Warrantholders), shall mutually agree upon the determinations then the subject of appraisal. Each party shall deliver a notice to the other appointing its appraiser within fifteen (15) days after the Appraisal Procedure is invoked. If within thirty (30) days after appointment of the two appraisers they are unable to agree upon the amount in question, a third independent appraiser shall be chosen within ten (10) days thereafter by the mutual consent of such first two appraisers or, if such first two appraisers fail to agree upon the appointment of a third appraiser, such appointment shall be made by the American Arbitration Association, or any organization successor thereto, from a panel of arbitrators having experience in the appraisal of the subject matter to be appraised. The decision of the third appraiser so appointed and chosen shall be given within

thirty (30) days after the selection of such third appraiser. If three appraisers shall be appointed and the determination of one appraiser is disparate from the middle determination by more than twice the amount by which the other determination is disparate from the middle determination, then the determination of such appraiser shall be excluded, the remaining two determinations shall be averaged and such average shall be binding and conclusive on the Company and the Warrantholder; otherwise, the average of all three determinations shall be binding and conclusive on the Company and the Warrantholder. The costs of conducting any Appraisal Procedure shall be borne by the Warrantholder requesting such Appraisal Procedure, except (A) the fees and expenses of the appraiser appointed by the Company and any other costs incurred by the Company shall be borne by the Company and (B) if such Appraisal Procedure shall result in a determination that is disparate by 5% or more from the Company's initial determination, all costs of conducting such Appraisal Procedure shall be borne by the Company.

Beneficially Own, Beneficial Owner and Beneficial Ownership are defined in Rules 13d-3 and 13d-5 of the Exchange Act.

Board means the Board of Directors of the Company.

Board Representatives means the two people nominated by the Investor to be elected or appointed, subject to satisfaction of all legal and governance requirements regarding service as a director of the Company, to the Board on the Closing Date (as defined in the Investment Agreement).

Business Combination means a merger, consolidation, statutory share exchange or similar transaction that requires adoption by the Company's stockholders.

Business Day means any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

Buy-In Price means \$12.15.

Capital Stock means (A) with respect to any Person that is a corporation or company, any and all shares, interests, participations or other equivalents (however designated) of capital or capital stock of such Person and (B) with respect to any Person that is not a corporation or company, any and all partnership or other equity interests of such Person.

Change of Control means, with respect to the Company, the occurrence of any one of the following events:

- (A) the Incumbent Directors cease for any reason to constitute at least a majority of the Board; *provided*, that any person becoming a director subsequent to the date of the Investment Agreement whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the relevant party in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director (except that no individuals who were not directors at the time any agreement or understanding with respect to any Business Combination or contested election is reached shall be treated as Incumbent Directors for the purposes of clause (C) below with respect to such Business Combination or this paragraph in the case of a contested election); *provided, further*, that the Board Representatives will be treated as an Incumbent Directors even if the Persons designated to be such Board Representatives should change;
- (B) any Person is or becomes a Beneficial Owner (other than the Investor and its Affiliates), directly or indirectly, of 50% of the aggregate voting power of the Voting Securities; *provided, however*, that the event described in this clause (B) will not be deemed a Change of Control by virtue of any holdings or acquisitions: (i) by the Company or any of its Subsidiaries, (ii) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries;

provided, that such holdings or acquisitions by any such plan (other than any plan maintained under Section 401(k) of the Internal Revenue Code of 1986, as amended) do not exceed 50% of the then outstanding Voting Securities, (iii) by any underwriter temporarily holding securities pursuant to an offering of such securities or (iv) pursuant to a Non-Qualifying Transaction;

(C) a Business Combination, to the extent it is not a Non-Qualifying Transaction; or

(D) a plan of liquidation or dissolution of the Company or a sale of all or substantially all of the Company's assets.

Common Stock means the Company's common stock, par value \$1.00 per share, and any Capital Stock for or into which such Common Stock hereafter is exchanged, converted, reclassified or recapitalized by the Company or pursuant to an agreement or Business Combination to which the Company is a party.

Company means MBIA Inc., a Connecticut corporation.

Exchange Act means the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

Excluded Stock means (A) shares of Common Stock issued by the Company as a stock dividend payable in shares of Common Stock, or upon any subdivision or split-up of the outstanding shares of Capital Stock in each case which is subject to Section 13(B), or upon conversion of shares of Capital Stock (but not the issuance of such Capital Stock which will be subject to the provisions of Section 13(A)) and (B) shares of Common Stock to be issued to employees, consultants and advisors of the Company pursuant to options granted prior to the date of issuance of this Warrant and pursuant to options granted after the date of issuance of this Warrant if the exercise price per share of Common Stock on the date of such grant equals or exceeds the Market Price of a share of Common Stock on the date of such grant.

Exercise Approval means any and all shareholder approvals as may be necessary under any applicable law or regulation or requirement of any applicable securities exchange, including but not limited to the applicable New York Stock Exchange rules, such that this Warrant may be exercisable for Shares.

Exercise Price has the meaning given to it in Section 2.

Expiration Time has the meaning given to it in Section 3.

Governmental Entities has the meaning given to it in Section 2.2(d) of the Investment Agreement.

Group means a group as contemplated by Section 13(d)(3) of the Exchange Act.

Incumbent Directors means individuals who on the date of the Investment Agreement constitute the Board.

Investment Agreement means the Amended and Restated Investment Agreement, dated as of February 6, 2008, between the Company and the Investor, including all schedules and exhibits thereto.

Investor means Warburg Pincus Private Equity X, L.P.

Market Price means, with respect to a particular security, on any given day, the last reported sale price regular way or, in case no such reported sale takes place on such day, the average of the last closing bid and ask prices regular way, in either case on the principal national securities exchange on which the applicable securities are listed or admitted to trading, or if not listed or admitted to trading on any national securities exchange, (A) the closing sale price for such day reported by the Nasdaq Global Market if such security is traded over-the-counter and quoted in the Nasdaq Global Market, or (B) if such security is so traded, but not so quoted, the average of the closing reported bid and ask prices of such security as reported by the Nasdaq Global Market or any comparable system, or (C) if such security is not listed on the Nasdaq Global Market or any comparable system, the average of the closing bid and ask prices as furnished by two members of the National Association of Securities Dealers, Inc. selected from time to time by the Company for that purpose. If such security is not listed and traded in a manner that the quotations referred to above are available for the period required hereunder, the Market Price per share of Common Stock shall be deemed to be the fair value per share of such security as determined in good faith by the Board of Directors of the Company.

Non-Qualifying Transaction means any Business Combination that satisfies all of the following criteria: (A) more than 50% of the total voting power of the surviving corporation resulting from a Business Combination, or, if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the surviving corporation, is represented by Voting Securities that were outstanding immediately before such Business Combination (or, if applicable, is represented by shares into which such Voting Securities were converted pursuant to such Business Combination) and (B) at least a majority of the members of the board of directors of the parent corporation (or, if there is no parent corporation, the surviving corporation) following the consummation of the Business Combination were Incumbent Directors at the time the Company's Board approved the execution of the initial agreement providing for such Business Combination.

Ordinary Cash Dividends means a regular quarterly cash dividend out of surplus or net profits legally available therefor (determined in accordance with generally accepted accounting principles, consistently applied) and consistent with past practice.

Person has the meaning given to it in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act.

Preliminary Control Event means, with respect to the Company, (A) the execution of definitive documentation for a transaction or (B) the recommendation that stockholders tender in response to a tender or exchange offer, that could reasonably result in a Change of Control upon consummation.

Pro Rata Repurchases means any purchase of shares of Common Stock by the Company or any Affiliate thereof pursuant to any tender offer or exchange offer subject to Section 13(e) of the Exchange Act, or pursuant to any other offer available to substantially all holders of Common Stock, whether for cash, shares of Capital Stock of the Company, other securities of the Company, evidences of indebtedness of the Company or any other person or any other property (including, without limitation, shares of Capital Stock, other securities or evidences of indebtedness of a subsidiary of the Company), or any combination thereof, effected while this Warrant is outstanding; *provided*, however, that *Pro Rata Repurchase* shall not include any purchase of shares by the Company or any Affiliate thereof made in accordance with the requirements of Rule 10b-18 as in effect under the Exchange Act. The *Effective Date* of a Pro Rata Repurchase shall mean the date of acceptance of shares for purchase or exchange under any tender or exchange offer which is a Pro Rata Repurchase or the date of purchase with respect to any Pro Rata Repurchase that is not a tender or exchange offer.

Rights Offering has the meaning given to it in Section 4.10(a) of the Investment Agreement.

Securities has the meaning given to it in the recitals of the Investment Agreement.

Securities Act means the Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

Shares is defined in Section 2.

Subsidiary of a Person means those corporations, banks, savings banks, associations and other Persons of which such Person owns or controls 51% or more of the outstanding equity securities either directly or through an unbroken chain of entities, as to each of which 51% or more of the outstanding equity securities is owned directly or indirectly by its parent; *provided, however*, that there shall not be included any such entity to the extent that the equity securities of such entity were acquired in satisfaction of a debt previously contracted in good faith or are owned or controlled in a *bona fide* fiduciary capacity.

Voting Securities means the Company's then outstanding securities eligible to vote for the election of directors.

Warrantholder has the meaning given to it in Section 2.

Warrants means this Warrant, issued to the Investor pursuant to the Investment Agreement.

2. *Number of Shares; Exercise Price.* This certifies that, for value received, Warburg Pincus Private Equity X, L.P., its affiliates or its registered assigns (the *Warrantholder*) is entitled, upon the terms and subject to the conditions hereinafter set forth, to acquire from the Company, in whole or in part, up to an aggregate of 130,000 fully paid and nonassessable shares of Common Stock, par value \$1.00 per share (the *Shares*), of the Company, at a purchase price of \$16.20 per Share (the *Exercise Price*). The number of Shares and the Exercise Price are subject to adjustment as provided herein, and all references to Shares, Common Stock and Exercise Price herein shall be deemed to include any such adjustment or series of adjustments.
3. *Exercise of Warrant; Term.* To the extent permitted by applicable laws and regulations, including but not limited to the insurance laws of the States of New York and Illinois, the right to purchase the Shares represented by this Warrant are exercisable, in whole or in part by the Warrantholder, at any time or from time to time after 9:00 a.m., New York City time, on the date hereof, but in no event later than 11:59 p.m., New York City time, on the seventh anniversary of the date of issuance of the Warrant (the *Expiration Time*), by (A) the surrender of this Warrant and Notice of Exercise annexed hereto, duly completed and executed on behalf of the Warrantholder, at the office of the Company in Armonk, New York (or such other office or agency of the Company in the United States as it may designate by notice in writing to the Warrantholder at the address of the Warrantholder appearing on the books of the Company), and (B) payment of the Exercise Price for the Shares thereby purchased at the election of the Warrantholder in one of the following manners:

- (i) by tendering in cash, by certified or cashier's check or by wire transfer payable to the order of the Company; or
- (ii) by having the Company withhold shares of Common Stock issuable upon exercise of the Warrant equal in value to the aggregate Exercise Price as to which this Warrant is so exercised based on the Market Price of the Common Stock on the trading day prior to the date on which this Warrant and the Notice of Exercise are delivered to the Company.

If the Warrantholder does not exercise this Warrant in its entirety, the Warrantholder will be entitled to receive from the Company within a reasonable time, and in any event not exceeding three (3) Business Days, a new warrant in substantially identical form for the purchase of that number of Shares equal to the difference between the number of Shares subject to this Warrant and the number of Shares as to which this Warrant is so exercised. Notwithstanding anything in this Warrant to the contrary, prior to obtaining the Exercise Approval, the Warrantholder may only exercise this Warrant in the manner permitted by Section 3(B)(ii) and upon any such exercise receive, in lieu of the shares of Common Stock, cash in an amount equal to the product of (x) the number of shares of Common Stock that would have been otherwise issuable and (y) the Market Price of the Common Stock on the trading day prior to the date on which this Warrant and the Notice of Exercise are delivered to the Company, such amount being paid by certified or cashier's check or by wire transfer in same day funds no later than the third Business Day following such exercise; *provided*, however, that at its option, the Company may pay such amount in four quarterly payments, the first payment of which shall be made no more than three (3) Business Days following such exercise by the Warrantholder; *provided*, further, that each such quarterly payment shall not be for an amount less than 25% of the total amount of such aggregate payment obligation (except for the final payment), and in each case, plus interest computed at the Company's borrowing rate under its revolving credit facility.

4. *Issuance of Shares; Authorization; Listing.* Certificates for Shares issued upon exercise of this Warrant will be issued in such name or names as the Warrantholder may designate and will be delivered to such named Person or Persons within a reasonable time, not to exceed three (3) Business Days after the date on which this Warrant has been duly exercised in accordance with the terms of this Warrant. The Company hereby represents and warrants that any Shares issued upon the exercise of this Warrant in accordance with the provisions of Section 3 will, upon such exercise, be duly and validly authorized and issued, fully paid and nonassessable and free from all taxes, liens and charges (other than liens or charges created by the Warrantholder or taxes in respect of any transfer occurring contemporaneously therewith). The Company

agrees that the Shares so issued will be deemed to have been issued to the Warrantholder as of the close of business on the date on which this Warrant and payment of the Exercise Price are delivered to the Company in accordance with the terms of this Warrant, notwithstanding that the stock transfer books of the Company may then be closed or certificates representing such Shares may not be actually delivered on such date. The Company will, beginning at a time prior to the Exercise Approval and thereafter at all times, reserve and keep available, out of its authorized but unissued Common Stock, solely for the purpose of providing for the exercise of this Warrant, the aggregate number of shares of Common Stock issuable upon exercise of this Warrant. The Company will (i) procure, at its sole expense, the listing of the Shares and other securities issuable upon exercise of this Warrant, including but not limited to those Shares issuable pursuant to Section 13 of this Warrant, subject to issuance or notice of issuance on all stock exchanges on which the Common Stock are then listed or traded and (ii) maintain the listing of such Shares after issuance. The Company will use commercially reasonable efforts to ensure that the Shares may be issued without violation of any applicable law or regulation or of any requirement of any securities exchange on which the Shares are listed or traded.

5. *No Fractional Shares or Scrip.* No fractional Shares or scrip representing fractional Shares shall be issued upon any exercise of this Warrant. In lieu of any fractional Share to which the Warrantholder would otherwise be entitled, the Warrantholder shall be entitled to receive a cash payment equal to the Market Price of the Common Stock less the Exercise Price for such fractional share.
6. *No Rights as Shareholders; Transfer Books.* This Warrant does not entitle the Warrantholder to any voting rights or other rights as a shareholder of the Company prior to the date of exercise hereof. The Company will at no time close its transfer books against transfer of this Warrant in any manner which interferes with the timely exercise of this Warrant.
7. *Charges, Taxes and Expenses.* Issuance of certificates for Shares to the Warrantholder upon the exercise of this Warrant shall be made without charge to the Warrantholder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company.
8. *Transfer/Assignment.*
 - (A) Subject to compliance with clause (B) of this Section 8, without obtaining the consent of the Company to assign or transfer this Warrant, this Warrant and all rights hereunder are transferable, in whole or in part, upon the books of the Company by the registered holder hereof in person or by duly authorized attorney, and a new warrant shall be made and delivered by the Company, of the same tenor and date as this Warrant but registered in the name of the transferee, upon surrender of this Warrant, duly endorsed, to the office or agency of the Company described in Section 2. All expenses (other than stock transfer taxes) and other charges payable in connection with the preparation, execution and delivery of the new warrants pursuant to this Section 8 shall be paid by the Company.
 - (B) Notwithstanding the foregoing, this Warrant and any rights hereunder, and any Shares issued upon exercise of this Warrant, shall be subject to the applicable restrictions as set forth in Section 4.2 of the Investment Agreement.
 - (C) Notwithstanding anything herein to the contrary, nothing shall prevent any hedging transactions by the Warrantholder or its transferees.
9. *Exchange and Registry of Warrant.* This Warrant is exchangeable, upon the surrender hereof by the Warrantholder to the Company, for a new warrant or warrants of like tenor and representing the right to purchase the same aggregate number of Shares. The Company shall maintain a registry showing the name and address of the Warrantholder as the registered holder of this Warrant. This Warrant may be surrendered for exchange or exercise, in accordance with its terms, at the office of the Company, and the Company shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

10. *Loss, Theft, Destruction or Mutilation of Warrant.* Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and in the case of any such loss, theft or destruction, upon receipt of an indemnity or security reasonably satisfactory to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Warrant, the Company shall make and deliver, in lieu of such lost, stolen, destroyed or mutilated Warrant, a new Warrant of like tenor and representing the right to purchase the same aggregate number of Shares as provided for in such lost, stolen, destroyed or mutilated Warrant.

11. *Saturdays, Sundays, Holidays, etc.* If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding day that is a Business Day.

12. *Rule 144 Information.* The Company covenants that it will use its reasonable best efforts to timely file all reports and other documents required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations promulgated by the U.S. Securities and Exchange Commission thereunder (or, if the Company is not required to file such reports, it will, upon the request of any Warrantholder, make publicly available such information as necessary to permit sales pursuant to Rule 144), and it will use reasonable best efforts to take such further action as any Warrantholder may reasonably request, all to the extent required from time to time to enable such holder to sell the Warrants without registration under the Securities Act within the limitation of the exemptions provided by (i) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (ii) any similar rule or regulation hereafter adopted by the Securities and Exchange Commission. Upon the written request of any Warrantholder, the Company will deliver to such Warrantholder a written statement that it has complied with such requirements.

13. *Adjustments and Other Rights.* The Exercise Price and the number of Shares issuable upon exercise of this Warrant shall be subject to adjustment from time to time as follows; *provided*, that no single event shall be subject to adjustment under more than one subsection of this Section 13 so as to result in duplication:
 - (A) *Common Stock Issued at Less than the Applicable Price.* If the Company issues or sells any Common Stock other than Excluded Stock for consideration per share less than the Applicable Price, then the Exercise Price in effect immediately prior to each such issuance or sale will immediately (except as provided below) be reduced to the price determined by multiplying the Exercise Price in effect immediately prior to such issuance or sale by a fraction, (x) the numerator of which shall be (1) the number of shares of Common Stock outstanding immediately prior to such issuance or sale plus (2) the number of shares of Common Stock which the aggregate consideration received by the Company for the total number of such additional shares of Common Stock so issued or sold would purchase at the Applicable Price, and (y) the denominator of which shall be the number of shares of Common Stock outstanding immediately after such issuance or sale. In such event, the number of shares of Common Stock issuable upon the exercise of this Warrant shall be increased to the number obtained by dividing (x) the product of (1) the number of Shares issuable upon the exercise of this Warrant before such adjustment and (2) the Exercise Price in effect immediately prior to the issuance or sale giving rise to this adjustment, by (y) the new Exercise Price determined in accordance with the immediately preceding sentence. For the purposes of any adjustment of the Exercise Price and the number of Shares issuable upon exercise of this Warrant pursuant to this Section 13(A), the following provisions shall be applicable, *provided*, however, no increase in the Exercise Price or reduction in the number of Shares issuable upon exercise of this Warrant shall be made pursuant to subclauses (i) or (ii) of this Section 13(A):
 - (i) In the case of the issuance or sale of Common Stock for cash, the amount of the consideration received by the Company shall be deemed to be the amount of the gross cash proceeds received by the Company for such Common Stock before deducting therefrom any discounts or commissions allowed, paid or incurred by the Company for any underwriting or otherwise in connection with the issuance and sale thereof.

- (ii) In the case of the issuance or sale of Common Stock (otherwise than upon the conversion of shares of Capital Stock or other securities of the Company) for a consideration in whole or in part other than cash, including securities acquired in exchange therefor (other than securities by their terms so exchangeable), the consideration other than cash shall be deemed to be the fair value thereof as determined by the Board, before deducting therefrom any discounts or commissions allowed, paid or incurred by the Company for any underwriting or otherwise in connection with the issuance and sale thereof, *provided*, however, that such per share fair value as determined by the Board shall not exceed the Applicable Price.

- (iii) In the case of the issuance of (1) options, warrants or other rights to purchase or acquire Common Stock (whether or not at the time exercisable) or (2) securities by their terms convertible into or exchangeable for Common Stock (whether or not at the time so convertible or exchangeable) or options, warrants or rights to purchase such convertible or exchangeable securities (whether or not at the time exercisable):
 - (1) The aggregate maximum number of shares of Common Stock deliverable upon exercise of such options, warrants or other rights to purchase or acquire Common Stock shall be deemed to have been issued at the time such options, warrants or rights are issued and for a consideration equal to the consideration (determined in the manner provided in Section 13(A)(i) and (ii)), if any, received by the Company upon the issuance or sale of such options, warrants or rights plus the minimum purchase price provided in such options, warrants or rights for the Common Stock covered thereby.

 - (2) The aggregate maximum number of shares of Common Stock deliverable upon conversion of or in exchange for any such convertible or exchangeable securities, or upon the exercise of options, warrants or other rights to purchase or acquire such convertible or exchangeable securities and the subsequent conversion or exchange thereof, shall be deemed to have been issued at the time such securities were issued or such options, warrants or rights were issued and for a consideration equal to the consideration, if any, received by the Company for any such securities and related options, warrants or rights (excluding any cash received on account of accrued interest or accrued dividends), plus the additional consideration (in each case, determined in the manner provided in Section 13(A)(i) and (ii)), if any, to be received by the Company upon the conversion or exchange of such securities, or upon the exercise of any related options, warrants or rights to purchase or acquire such convertible or exchangeable securities and the subsequent conversion or exchange thereof.

 - (3) On any change in the number of shares of Common Stock deliverable upon exercise of any such options, warrants or rights or conversion or exchange of such convertible or exchangeable securities or any change in the consideration to be received by the Company upon such exercise, conversion or exchange, but excluding changes resulting from the anti-dilution provisions thereof (to the extent comparable to the anti-dilution provisions contained herein), the Exercise Price and the number of Shares issuable upon exercise of this Warrant as then in effect shall forthwith be readjusted to such Exercise Price and number of Shares as would have been obtained had an adjustment been made upon the issuance or sale of such options, warrants or rights not exercised prior to such change, or of such convertible or exchangeable securities not converted or exchanged prior to such change, upon the basis of such change.

 - (4) On the expiration or cancellation of any such options, warrants or rights (without exercise), or the termination of the right to convert or exchange such convertible or exchangeable securities (without exercise), if the Exercise Price and the number of Shares issuable upon exercise of this Warrant shall have been adjusted upon the issuance or sale thereof, the Exercise Price and the number of Shares issuable upon exercise of this Warrant shall forthwith be readjusted to such Exercise Price and number of Shares as would have been

obtained had an adjustment been made upon the issuance or sale of such options, warrants, rights or such convertible or exchangeable securities on the basis of the issuance of only the number of shares of Common Stock actually issued upon the exercise of such options, warrants or rights, or upon the conversion or exchange of such convertible or exchangeable securities.

- (5) If the Exercise Price and the number of Shares issuable upon exercise of this warrant shall have been adjusted upon the issuance or sale of any such options, warrants, rights or convertible or exchangeable securities, no further adjustment of the Exercise Price and the number of Shares issuable upon exercise of this Warrant shall be made for the actual issuance of Common Stock upon the exercise, conversion or exchange thereof; *provided*, however, that no increase in the Exercise Price or reduction in the number of Shares issuable upon exercise of this Warrant shall be made pursuant to subclauses (1) or (2) of this Section 13(A)(iii).

- (iv) For the avoidance of doubt, (i) the Company's issuance or sale of shares of Common Stock in the Rights Offering to the extent not purchased by the Investor pursuant to Section 4.10 of the Investment Agreement shall be subject to the provisions of this Section 13(A) and (ii) the Company's issuance or sale of shares of Common Stock in the Rights Offering to the extent purchased by the Investor pursuant to Section 4.10 of the Investment Agreement shall not be subject to the provisions of this Section 13(A).

- (B) *Stock Splits, Subdivisions, Reclassifications or Combinations.* If the Company shall (i) declare a dividend or make a distribution on its Common Stock in shares of Common Stock, (ii) subdivide or reclassify the outstanding shares of Common Stock into a greater number of shares, or (iii) combine or reclassify the outstanding Common Stock into a smaller number of shares, the number of Shares issuable upon exercise of this Warrant at the time of the record date for such dividend or distribution or the effective date of such subdivision, combination or reclassification shall be proportionately adjusted so that the Warrantholder after such date shall be entitled to purchase the number of shares of Common Stock which such holder would have owned or been entitled to receive after such date had this Warrant been exercised immediately prior to such date. In such event, the Exercise Price in effect at the time of the record date for such dividend or distribution or the effective date of such subdivision, combination or reclassification shall be adjusted to the number obtained by dividing (x) the product of (1) the number of Shares issuable upon the exercise of this Warrant before such adjustment and (2) the Exercise Price in effect immediately prior to the issuance giving rise to this adjustment by (y) the new number of shares issuable upon exercise of the Warrant determined pursuant to the immediately preceding sentence.

- (C) *Other Distributions.* In case the Company shall fix a record date for the making of a distribution to all holders of shares of its Common Stock (i) of shares of any class other than its Common Stock, (ii) of evidence of indebtedness of the Company or any Subsidiary, (iii) of assets (excluding Ordinary Cash Dividends, and dividends or distributions referred to in Section 13(B)), or (iv) of rights or warrants (excluding those referred to in Section 13(B)), in each such case, the Exercise Price in effect prior thereto shall be reduced immediately thereafter to the price determined by dividing (x) an amount equal to the difference resulting from (1) the number of shares of Common Stock outstanding on such record date multiplied by the Exercise Price per Share on such record date, less (2) the fair market value (as reasonably determined by the Board) of said shares or evidences of indebtedness or assets or rights or warrants to be so distributed, by (y) the number of shares of Common Stock outstanding on such record date; such adjustment shall be made successively whenever such a record date is fixed. In such event, the number of shares of Common Stock issuable upon the exercise of this Warrant shall be increased to the number obtained by dividing (x) the product of (1) the number of Shares issuable upon the exercise of this Warrant before such adjustment, and (2) the Exercise Price in effect immediately prior to the issuance giving rise to this adjustment by (y) the new Exercise Price determined in accordance with the immediately preceding sentence. In the event that such distribution is not so made, the Exercise Price

and the number of Shares issuable upon exercise of this Warrant then in effect shall be readjusted, effective as of the date when the Board determines not to distribute such shares, evidences of indebtedness, assets, rights or warrants, as the case may be, to the Exercise Price that would then be in effect and the number of Shares that would then be issuable upon exercise of this Warrant if such record date had not been fixed.

- (D) *Certain Repurchases of Common Stock.* In case the Company effects a Pro Rata Repurchase of Common Stock, then the Exercise Price shall be reduced to the price determined by multiplying the Exercise Price in effect immediately prior to the effective date of such Pro Rata Repurchase by a fraction of which the numerator shall be (i) the product of (x) the number of shares of Common Stock outstanding immediately before such Pro Rata Repurchase and (y) the Market Price of a share of Common Stock on the trading day immediately preceding the first public announcement by the Company or any of its Affiliates of the intent to effect such Pro Rata Repurchase, minus (ii) the aggregate purchase price of the Pro Rata Repurchase, and of which the denominator shall be the product of (i) the number of shares of Common Stock outstanding immediately prior to such Pro Rata Repurchase minus the number of shares of Common Stock so repurchased and (ii) the Market Price per share of Common Stock on the trading day immediately preceding the first public announcement of such Pro Rata Repurchase. In such event, the number of shares of Common Stock issuable upon the exercise of this Warrant shall be increased to the number obtained by dividing (x) the product of (1) the number of Shares issuable upon the exercise of this Warrant before such adjustment, and (2) the Exercise Price in effect immediately prior to the Pro Rata Repurchase giving rise to this adjustment by (y) the new Exercise Price determined in accordance with the immediately preceding sentence.
- (E) *Business Combinations.* Subject to Section 14 of this Warrant, in case of any Business Combination or reclassification of Common Stock (other than a reclassification of Common Stock referred to in Section 13(B)), any Shares issued or issuable upon exercise of this Warrant after the date of such Business Combination or reclassification, shall be exchangeable for the number of shares of stock or other securities or property (including cash) to which the Common Stock issuable (at the time of such Business Combination or reclassification) upon exercise of this Warrant immediately prior to such Business Combination or reclassification would have been entitled upon such Business Combination or reclassification; and in any such case, if necessary, the provisions set forth herein with respect to the rights and interests thereafter of the Warrantholder shall be appropriately adjusted so as to be applicable, as nearly as may reasonably be, to any shares of stock or other securities or property thereafter deliverable on the exercise of this Warrant. In determining the kind and amount of stock, securities or the property receivable upon consummation of such Business Combination, if the holders of Common Stock have the right to elect the kind or amount of consideration receivable upon consummation of such Business Combination, then the Warrantholder shall have the right to make a similar election upon exercise of this Warrant with respect to the number of shares of stock or other securities or property which the Warrantholder will receive upon exercise of this Warrant.
- (F) *Rounding of Calculations; Minimum Adjustments.* All calculations under this Section 13 shall be made to the nearest one-tenth (1/10th) of a cent or to the nearest one-hundredth (1/100th) of a share, as the case may be. Any provision of this Section 13 to the contrary notwithstanding, no adjustment in the Exercise Price or the number of Shares into which this Warrant is exercisable shall be made if the amount of such adjustment would be less than \$0.01 or one-tenth (1/10th) of a share of Common Stock, respectively, but any such amount shall be carried forward and an adjustment with respect thereto shall be made at the time of and together with any subsequent adjustment which, together with such amount and any other amount or amounts so carried forward, shall aggregate \$0.01 or 1/10th of a share of Common Stock, respectively, or more.
- (G) *Timing of Issuance of Additional Common Stock Upon Certain Adjustments.* In any case in which the provisions of this Section 13 shall require that an adjustment shall become effective immediately after a record date for an event, the Company may defer until the occurrence of such event (i) issuing to the Warrantholder of this Warrant exercised after such record date and before the occurrence of such event

the additional shares of Common Stock issuable upon such exercise by reason of the adjustment required by such event over and above the shares of Common Stock issuable upon such exercise before giving effect to such adjustment and (ii) paying to such Warrantholder any amount of cash in lieu of a fractional share of Common Stock; *provided*, however, that the Company upon request shall deliver to such Warrantholder a due bill or other appropriate instrument evidencing such Warrantholder's right to receive such additional shares, and such cash, upon the occurrence of the event requiring such adjustment.

- (H) *Adjustment for Unspecified Actions.* If the Company takes any action affecting the Common Stock, other than actions described in this Section 13, which in the opinion of the Board would adversely affect the exercise rights of the Warrantholder, the Exercise Price for the Warrants and/or the number of Shares received upon exercise of the Warrant shall be adjusted for the Warrantholder's benefit, to the extent permitted by law, in such manner, and at such time, as such Board after consultation with the Investor shall reasonably determine to be equitable in the circumstances. Failure of the Board to provide for any such adjustment will be evidence that the Board has determined that it is equitable to make no such adjustments in the circumstances.
- (I) *Statement Regarding Adjustments.* Whenever the Exercise Price or the number of Shares into which this Warrant is exercisable shall be adjusted as provided in Section 13, the Company shall forthwith file at the principal office of the Company a statement showing in reasonable detail the facts requiring such adjustment and the Exercise Price that shall be in effect and the number of Shares into which this Warrant shall be exercisable after such adjustment, and the Company shall also cause a copy of such statement to be sent by mail, first class postage prepaid, to each Warrantholder at the address appearing in the Company's records.
- (J) *Notice of Adjustment Event.* In the event that the Company shall propose to take any action of the type described in this Section 13 (but only if the action of the type described in this Section 13 would result in an adjustment in the Exercise Price or the number of Shares into which this Warrant is exercisable or a change in the type of securities or property to be delivered upon exercise of this Warrant), the Company shall give notice to the Warrantholder, in the manner set forth in Section 13(I), which notice shall specify the record date, if any, with respect to any such action and the approximate date on which such action is to take place. Such notice shall also set forth the facts with respect thereto as shall be reasonably necessary to indicate the effect on the Exercise Price and the number, kind or class of shares or other securities or property which shall be deliverable upon exercise of this Warrant. In the case of any action which would require the fixing of a record date, such notice shall be given at least 10 days prior to the date so fixed, and in case of all other action, such notice shall be given at least 15 days prior to the taking of such proposed action. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any such action.
- (K) *No Impairment.* The Company will not, by amendment of its Articles or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in taking of all such action as may be necessary or appropriate in order to protect the rights of the Warrantholder.
- (L) *Proceedings Prior to Any Action Requiring Adjustment.* As a condition precedent to the taking of any action which would require an adjustment pursuant to this Section 13, the Company shall take any action which may be necessary, including obtaining regulatory, New York Stock Exchange or stockholder approvals or exemptions, in order that the Company may thereafter validly and legally issue as fully paid and nonassessable all shares of Common Stock that the Warrantholder is entitled to receive upon exercise of this Warrant pursuant to this Section 13.
- (M) *Adjustment Rules.* Any adjustments pursuant to this Section 13 shall be made successively whenever an event referred to herein shall occur. If an adjustment in Exercise Price made hereunder would reduce

the Exercise Price to an amount below par value of the Common Stock, then such adjustment in Exercise Price made hereunder shall reduce the Exercise Price to the par value of the Common Stock.

14. *Change of Control.* Upon the occurrence of a Preliminary Control Event, and by delivering written notice thereof to the Company, the Warrantholder may cause the Company to purchase any Warrant, in whole or in part, acquired hereunder that the Warrantholder then holds, at a valuation based on a computation of the option value of the Warrant using Black-Scholes calculation methods and making the assumptions described in the Black-Scholes methodology described in *Exhibit A*. Payment by the Company to the Warrantholder of such purchase price shall be due only upon the occurrence of the Change in Control and on the date of the occurrence of the Change of Control, subject to the mechanics described in the last paragraph of *Exhibit A*. At the election of the Company, all or any portion of such purchase price may be paid in Shares valued at the Market Price of a share of Common Stock as of (A) the last trading day prior to the date on which this payment occurs or (B) the first date of the announcement of such Preliminary Control Event (whichever is less), so long as such payment does not cause the Company to fail to comply with applicable New York Stock Exchange requirements or the requirements of any other Governmental Entities. To the extent that a payment in Common Shares would cause the Company to fail to comply with New York Stock Exchange rules, once the maximum number of Shares has been paid, the remainder of such purchase price may be paid in the form of cash. The Company agrees that it will not take any action resulting in a Preliminary Control Event in the absence of definitive documentation providing for such election right of the Warrantholder pursuant to this Section 14. Under no circumstances shall the Warrantholder be restricted from engaging in any hedging or derivative program reasonably necessary in the opinion of the Warrantholder to secure the option value of this Warrant so adjusted.
15. *Contest and Appraisal Rights.* Upon each determination of Market Price or fair market value, as the case may be, hereunder, the Company shall promptly give notice thereof to the Warrantholder, setting forth in reasonable detail the calculation of such Market Price or fair market value, and the method and basis of determination thereof, as the case may be. If the Warrantholder (or if there is more than one Warrantholder, a majority in interest of Warrantholders) shall disagree with such determination and shall, by notice to the Company given within fifteen (15) days after the Company's notice of such determination, elect to dispute such determination, such dispute shall be resolved in accordance with this Section 15. In the event that a determination of Market Price, or fair market value (if such determination solely involves Market Price), is disputed, such dispute shall be submitted, at the Company's expense, to a New York Stock Exchange member firm selected by the Company and acceptable to the Warrantholder, whose determination of Market Price or fair market value, as the case may be, shall be binding on the Company and the Warrantholder. In the event that a determination of fair market value, other than a determination solely involving Market Price, is disputed, such dispute shall be resolved through the Appraisal Procedure.
16. *Governing Law.* This Warrant shall be binding upon any successors or assigns of the Company. This Warrant shall constitute a contract under the laws of New York and for all purposes shall be construed in accordance with and governed by the laws of New York, without giving effect to the conflict of laws principles.
17. *Attorneys' Fees.* In any litigation, arbitration or court proceeding between the Company and the Warrantholder as the holder of this Warrant relating hereto, the prevailing party shall be entitled to reasonable attorneys' fees and expenses incurred in enforcing this Warrant.
18. *Amendments.* This Warrant may be amended and the observance of any term of this Warrant may be waived only with the written consent of the Company and the Warrantholder.
19. *Notices.* All notices hereunder shall be in writing and shall be effective (A) on the day on which delivered if delivered personally or transmitted by telex or telegram or telecopier with evidence of receipt, (B) one Business Day after the date on which the same is delivered to a nationally recognized overnight courier service with evidence of receipt, or (C) five Business Days after the date on which the same is deposited, postage prepaid, in the U.S. mail, sent by certified or registered mail, return receipt requested, and addressed to the party to be notified at the address indicated below for the Company, or at the address for the

Warrantholder set forth in the registry maintained by the Company pursuant to Section 9, or at such other address and/or telecopy or telex number and/or to the attention of such other person as the Company or the Warrantholder may designate by ten-day advance written notice.

20. *Prohibited Actions.* The Company agrees that it will not take any action which would entitle the Warrantholder to an adjustment of the Exercise Price if the total number of shares of Common Stock issuable after such action upon exercise of this Warrant, together with all shares of Common Stock then outstanding and all shares of Common Stock then issuable upon the exercise of all outstanding options, warrants, conversion and other rights, would exceed the total number of shares of Common Stock then authorized by its Restated Articles of Incorporation.
21. *Entire Agreement.* This Warrant and the forms attached hereto, and the Investment Agreement, contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior and contemporaneous arrangements or undertakings with respect thereto.

[Remainder of page intentionally left blank]

[Copy]

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by a duly authorized officer.

Dated: February 6, 2008

MBIA INC.

By: /s/ C. Edward Chaplin
Name: C. Edward Chaplin
Title: Vice President & Chief Financial Officer

Attest:

By: /s/ Ram D. Wertheim
Name: Ram D. Wertheim
Title: Vice President, Secretary & General Counsel

Acknowledged and Agreed:

**WARBURG PINCUS
X PARTNERS, L.P.**

By: Warburg Pincus X L.P., its general partner
By: Warburg Pincus X LLC, its general partner
By: Warburg Pincus Partners LLC, its sole member
By: Warburg Pincus & Co., its managing member

By: /s/ David Coulter
Name: David Coulter
Title: Managing Director

[Signature Page to B2-Warrant]

[Form Of Notice Of Exercise]

Date:

TO: MBIA Inc.

RE: Election to Subscribe for and Purchase Common Stock

The undersigned, pursuant to the provisions set forth in the attached Warrant, hereby agrees to subscribe for and purchase the number of shares of the Common Stock set forth below covered by such Warrant. The undersigned, in accordance with Section 3 of the Warrant, hereby agrees to pay the aggregate Exercise Price for such shares of Common Stock in the manner set forth below. A new warrant evidencing the remaining shares of Common Stock covered by such Warrant, but not yet subscribed for and purchased, should be issued in the name set forth below. If the new warrant is being transferred, an opinion of counsel is attached hereto with respect to the transfer of such warrant.

Number of Shares of Common Stock: _____

Method of Payment of Exercise Price: _____

Name and Address of Person to be
Issued New Warrant:

Holder: _____

By: _____

Name: _____

Title: _____

D-15

Black-Scholes Assumptions

For the purpose of this Exhibit A:

Acquiror means (A) the third party that has entered into definitive document for a transaction, or (b) the offeror in the event of a tender or exchange offer, that could reasonably result in a Change of Control upon consummation.

Underlying Security Price:	In the event of a merger or acquisition, (A) in the event of an all cash deal, the cash per share offered to the Company's shareholders by the Acquiror; (B) in the event of an all stock deal, (1) in the event of a fixed exchange ratio transaction, the product of (i) the average of the Market Price of the Acquiror's common stock for the ten (10) trading day period ending on the day preceding the date of the Preliminary Control Event and (ii) the number of Acquiror's shares being offered for one share of Common Stock and (2) in the event of a fixed value transaction, the value offered by the Acquiror for one share of Common Stock; (C) in the event of a transaction contemplating various forms of consideration for each share of Common Stock, the cash portion, if any, shall be valued as clause (A) above and the stock portion shall be valued as clause (B) above and any other forms of consideration shall be valued by the Company in good faith, without applying any discounts to such consideration.
Exercise Price:	In the event of all other Change of Control events, the average of the Market Price of the Common Stock for the five (5) trading day period beginning on the date of the Preliminary Control Event. The Exercise Price as adjusted and then in effect for the Warrant at the time of the Preliminary Control Event.
Dividend Rate:	The Company's annualized dividend yield as of the date of the Preliminary Control Event
Interest Rate:	The applicable U.S. 5-year treasury note risk free rate as of the date of the Preliminary Control Event
Model Type:	Black-Scholes
Exercise Type:	American
Put or Call:	Call
Trade Date:	The date of the Preliminary Control Event
Expiration Date:	Expiration Time
Settle Date:	The date of the Preliminary Control Event
Exercise Delay:	0
Volatility:	The average annual volatility over the last 3 years of the Common Stock as listed by Bloomberg L.P., as of the date of the Preliminary Control Event

Such valuation of the Warrant based on the Black-Scholes methodology shall not be discounted in any way. If the Warrantholder disputes such Black-Scholes valuation pursuant to this *Exhibit A* as calculated by the Company, the Company and the Warrantholder will choose a mutually-agreeable firm to compute the valuation of the Warrant using the guidelines above, and such valuation shall be final. The fees and expenses of such firm shall be borne equally by the Company and the Warrantholder.

The Company covenants that it will not close the Change of Control transaction or otherwise facilitate the closing of a tender or exchange offer as referenced above until giving the Warrantholder at least five (5) Business Days to sell or distribute the Common Stock to be received in an exchange and will cooperate with the Warrantholder to ensure that there is an effective registration statement available to facilitate such a sale during such five (5) Business Day period or an effective opportunity is provided in the case of a tender or exchange offer as referenced above to tender such shares in to the offer.

D-17

RESTRICTED STOCK AWARD AGREEMENT

AGREEMENT made and entered into as of this 18th day of February, 2008 (the *Commencement Date*) between MBIA Inc., a Connecticut corporation (together with its successors and assigns, the *Company*), and Joseph W. Brown (the *Grantee*).

WITNESSETH:

WHEREAS, the Grantee has agreed to serve as the Chairman of the Company's Board of Directors (*Chairman*) and as its Chief Executive Officer, and the Company desires that he continue such service until his Retirement Date;

WHEREAS, the Company desires to award shares of Common Stock, par value \$1 per share, of the Company (*Shares*) to the Grantee as an inducement award for the Grantee agreeing to serve as the Company's Chairman and Chief Executive Officer, contingent upon the achievement of performance objectives established by the Compensation and Organization Committee (the *Committee*) of the Company's Board of Directors (the *Board*) and subject to shareholder approval;

WHEREAS, the Company has determined that, in recognition of the Grantee's employment by the Company, it is in the interest of the Company and its shareholders for the Grantee to be granted an award of Shares subject to the terms and conditions set forth herein, including, without limitation, the requirement that such Shares will only be and become vested upon the achievement of the performance conditions set forth herein;

WHEREAS, the Committee has determined to grant to the Grantee the number of Shares set forth below, subject to the terms and restrictions set forth herein; and

WHEREAS, the Grantee has agreed to purchase 359,000 Shares between the Commencement Date and June 30, 2008.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, and for other good and valuable consideration, receipt of which is hereby acknowledged, the Company and the Grantee (together, the *Parties*) do hereby agree as follows:

1. *Grant of Restricted Stock.* Subject to shareholder approval as described in Section 4 below, and to the terms and conditions set forth in this Agreement, the Company shall grant to the Grantee the following number of Shares:

(a) on the date of such approval, 1,634,000 Shares; and

(b) on the first anniversary of the Commencement Date, subject to the Grantee's employment not having ended prior to such anniversary, a number of Shares determined by dividing \$5,000,000 by the average Market Value per Share for the 20 Trading Days immediately preceding such first anniversary.

Such Shares (*Restricted Stock*) shall be fully registered under the 1933 Act, and listed for trading on the New York Stock Exchange, in the case of the first grant no later than 30 days following the date of shareholder approval under Section 4 below, and in the case of the second grant no later than the date of grant. The Company shall, for so long as its shares are publicly traded, maintain the effectiveness of the registration statement(s) with respect to such Shares until the earlier of (i) the one-year anniversary of the date upon which all of the restrictions on transfer of the Restricted Stock set forth in Section 2(a) shall have terminated or lapsed, and (ii) the date upon which Grantee would otherwise have the ability to sell all of the restricted Stock without volume or other restrictions under the 1934 Act.

2. *Vesting of Restricted Stock.*

(a) *Restricted Period.* Except as provided in Sections 2(e) or 7 below, the Restricted Stock granted hereby may not be sold, assigned, transferred, pledged, hypothecated or otherwise directly or indirectly encumbered or disposed of except to the extent that (i) the Restricted Stock has become vested (i.e., become non-forfeitable) pursuant to Section 2(b) through 2(e) below and (ii) the Restricted Stock has been held by the Grantee until the later of (x) the fifth anniversary of the Commencement Date and (y) the first anniversary of the termination of the Grantee's employment with the Company.

(b) *Market Value Appreciation.*

(i) Unless previously forfeited in accordance with Section 2(d) below, the Restricted Stock shall be and become fully vested as of the first date after the Commencement Date on which the average Market Value per Share over the 20 previous consecutive Trading Days has been at least \$40 per Share. For avoidance of doubt, the second grant of Restricted Stock shall be fully vested upon grant if the foregoing condition has been satisfied prior to the date of grant.

(ii) If, upon the occurrence of (x) any Change of Control, (y) the Retirement Date or (z) the fifth anniversary of the Commencement Date (each, a *Trigger Date*), the Restricted Stock has not already become fully vested, a percentage of the Restricted Stock that is subject to each grant shall (to the extent not previously vested or forfeited) become vested in accordance with the Market Value results set forth in Table I below; *provided* that for purposes of applying Table I to the second grant of Restricted Stock, the Value per Share corresponding to 0% vesting shall be the larger of \$16.20 and the 20-day average Market Value used to determine the size of such grant, while the Value per Share corresponding to 100% vesting shall remain at \$40.00, with intermediate values determined by linear interpolation (so that if, *e.g.*, such 20-day average Market Value is \$20.00, the Values per Share in the left hand column of Table I would be deemed to be \$20.00, \$24.00, \$28.00, \$32.00, \$36.00 and \$40.00, respectively).

TABLE I

Value Per Share	Percentage Vested
\$16.20 or less	0%
\$20.96	20%
\$25.72	40%
\$30.48	60%
\$35.24	80%
\$40 or more	100%

(iii) For purposes of applying Table I, the Value per Share as of a Trigger Date shall be deemed to be (A) the average Market Value per Share for the 20 previous Trading Days (if such Trigger Date is not the date of a Change of Control) or (B) the Market Value per Share immediately prior to the occurrence of the Change of Control (if such Trigger Date is the date of a Change of Control). In addition, for purposes of applying Table I, intermediate levels of vesting shall be determined by linear interpolation (e.g., Market Value as of the Trigger Date of \$28.10 will yield 50% vesting for the first grant of Shares). Subject to Section 2(d) below, Shares that do not vest upon the occurrence of a Change of Control prior to the fifth anniversary of the Commencement Date shall remain eligible for possible later vesting in accordance with the otherwise applicable terms of this Agreement.

(c) *Continued Vesting upon Certain Terminations of Employment.* To the extent that the Restricted Stock shall not have previously become fully vested pursuant to Section 2(b) above or been forfeited pursuant to Section 2(d) below, the Restricted Stock shall continue to become vested under Section 2(b) above after the termination of the Grantee's employment with the Company on the Retirement Date.

(d) *Forfeiture Events.* The Restricted Stock shall (to the extent not yet vested) be forfeited, and shall not thereafter vest, upon (i) a voluntary termination of Grantee's employment with the Company by the Grantee (other than on the Retirement Date) or (ii) a termination of the Grantee's employment by the Company for Cause; *provided, however*, that no termination of the Grantee's employment with the Company (for any reason) occurring on or after the first Trigger Date shall have any impact on the vesting or forfeiture of the Restricted Stock. Additionally, any portion of the Restricted Stock that remains unvested after the fifth anniversary of the Commencement Date shall be forfeited and shall not thereafter vest.

(e) *Equitable Adjustments.* In the event of any merger, consolidation, reorganization, recapitalization, spin-off, split-up, combination, share exchange, liquidation, dissolution, stock split, extraordinary cash dividend, stock dividend, distribution of stock or other property in respect of the Shares or other securities of the Company, or other change in corporate structure or capitalization affecting the Shares, the Board or a duly authorized committee thereof (the *Committee*) shall make appropriate adjustment(s) (x) to the calculation of Market Value, to the application of Table I above, and/or to other terms and conditions set forth in this Agreement, so as to avoid dilution or enlargement of the rights of the Grantee and of the economic opportunity and value represented by the Restricted Stock and (y) to the number of Shares remaining to be purchased by the Grantee pursuant to Section 3, and to the price to be paid for such Shares if purchased directly from the Company. If any Change of Control occurs, and notwithstanding anything in Section 2, Section 7, or elsewhere to the contrary, the Company shall have made arrangements, in respect of securities that the Grantee acquired pursuant to this Agreement and that either were vested prior to the occurrence of such Change of Control, or will become vested upon the occurrence of such Change of Control, that allow (or allowed) the Grantee to sell such securities in at least one of the following ways: (a) in the transaction (if any) that gives rise to such Change of Control, (b) in the open market upon, or prior to the occurrence of, such Change of Control, (c) for cash to the Company, upon the occurrence of such Change of Control, for their Market Value as of such occurrence, or (d) through a combination of (a), (b) and (c).

3. *Purchase of Shares.* The Grantee agrees to purchase 359,000 Shares between the Commencement Date and June 30, 2008 (or, if later, the 10th Trading Day following the occurrence of the Company's 2008

annual meeting of shareholders). The Grantee shall purchase such Shares either (x) directly from the Company at a price of \$12.15 per share, (y) in the open market, or (z) through a combination of (x) and (y). The Company agrees to sell to the Grantee at a price of \$12.15 per Share any Shares that the Grantee elects to purchase directly from the Company pursuant to the previous sentence. Shares purchased directly from the Company shall be fully registered under the 1933 Act not later than 30 days after the Commencement Date and shall be listed for trading on the New York Stock Exchange not later than 30 days after purchase.

4. *Shareholder Approval.* The grant of the Restricted Stock is conditioned upon the Company's shareholders approving the grant by a majority of the votes cast at the Company's 2008 annual shareholder meeting. The Company covenants and agrees to seek, and recommend, such approval at such annual meeting of shareholders. In the event such shareholder approval is not obtained at the 2008 annual meeting, the Restricted Stock shall not be granted and this Agreement (other than Section 3, Section 6 and Section 14) shall be null and void, and neither Party shall (subject to the exceptions noted) have any rights with respect thereto.

5. *No Right to Continued Employment; Post- Employment Restrictions.*

(a) The grant of the Restricted Stock hereunder shall not be construed as granting to the Grantee any right of continued employment, and the right of the Company to terminate the Grantee's employment at any time at will (whether by dismissal, discharge or otherwise) is specifically reserved.

(b) For the period during which the Grantee is employed with the Company and for five (5) years thereafter (or such shorter maximum period as permitted by applicable law), the Grantee shall not personally, other than in connection with performing services for the Company or any of its Subsidiaries: (i) directly or indirectly hire, solicit, or help another person to hire or solicit, any employee of the Company or any of its Subsidiaries away from the Company or any of its Subsidiaries, (ii) directly or indirectly induce or encourage any employee of the Company or any of its Subsidiaries to terminate employment with the Company or any of its Subsidiaries, (iii) directly or indirectly divert any business opportunity developed on behalf of the Company or any of its Subsidiaries for his own benefit or for the benefit of any of his future employers, (iv) directly or indirectly solicit any of the Company's or its Subsidiaries' customers to use the services of another entity in lieu of those of the Company or its Subsidiaries, (v) seek or accept employment with any entity that competes materially with any of the Company's or its Subsidiaries' substantial business operations; or (vi) otherwise engage in any activity that competes materially with any of the Company's or its Subsidiaries' substantial business operations. If any provision of this Section 5 is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule, such provision shall be subject to modification by the arbitrator referred to in Section 14 or the appropriate court, which shall modify this Section 5 to the minimum extent necessary to achieve such validity and enforceability.

6. *Excise Tax.* In the event that any payment or benefit made or provided to or for the benefit of the Grantee under this Agreement, or under any plan, agreement, program or arrangement of the Company or any of its affiliates or any entity effecting a change in control of the Company, (a *Payment*) is determined to be subject to any excise tax (*Excise Tax*) imposed by Section 4999 of the Code, the Company shall pay to the Grantee at or prior to the time any Excise Tax is payable with respect to such Payment (through withholding or otherwise), an additional amount which, after the imposition of all income, employment, excise and other taxes payable by the Grantee thereon, is equal to the sum of (i) the Excise Tax on such Payment plus (ii) any penalty and interest assessments associated with such Excise Tax. The determination

of whether any Payment is subject to the Excise Tax and, if so, the amount to be paid by the Company to the Grantee and the time of payment pursuant to this Section 6 shall be made by an independent, nationally recognized United States public accounting firm (the *Auditor*) jointly selected by the Parties and paid by the Company. If the Parties cannot agree on the firm to serve as the Auditor, then the Parties shall each select one nationally recognized United States accounting firm and those two firms shall jointly select the accounting firm to serve as the Auditor, which firm shall not have acted in any way on behalf of the Company during the two years preceding its selection. The Parties shall cooperate with each other in connection with any proceeding or claim relating to the existence or amount of any liability for any Excise Tax. All expenses relating to any such proceeding or claim (including any attorneys' fees and other expenses associated therewith) shall be paid by the Company promptly upon demand by the Grantee, and any such payment shall be subject to gross up in the event that the Grantee is subject to any income tax, employment tax or Excise Tax on it. In the event that the Grantee is entitled to a gross-up from the Company under the provisions of this Agreement and any other agreement or arrangement with the Company, the payment, if any, to be made in respect of any Excise Tax under this Section 6 shall not be in addition to or duplicative of any such other payment. All payments under this Section 6 shall be made within the time periods required by Treasury Regulation § 1.409A-3(i)(1)(v).

7. Nonassignability of Restricted Stock. The Restricted Stock is personal to the Grantee and, prior to the later of the fifth anniversary of the Commencement Date and the first anniversary of the termination of the Grantee's employment with the Company, no rights granted hereunder may be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and no such rights shall be subject to execution, attachment or similar process, except that the Restricted Stock may be transferred, in whole or in part, (i) by will or the laws of descent and distribution or (ii) to any Immediate Family Member or to any trust, the sole beneficiaries of which are the Grantee and/or his Immediate Family Members, or to any entity (including, without limitation, any corporation, partnership or limited liability company) in which the Grantee, his Immediate Family Members or trusts solely for the benefits of such persons hold all the beneficial interests, provided that such Immediate Family Members and/or trusts and/or other entities (and upon distribution their beneficiaries) are bound by the provisions of this Agreement. For purposes of this Agreement, the term *Immediate Family Member* shall mean the Grantee's parents and spouse and any of the lineal descendants of the Grantee, his spouse or either of his parents (including, without limitation, descendants by adoption). Any person or entity to whom these Shares have been transferred in whole or in part in accordance with this Section 7 shall, to the extent of the transfer, succeed to the rights and obligations of the Grantee under this Agreement.

8. Rights as Stockholder. Except as otherwise provided in this Agreement, Grantee shall have, with respect to all Restricted Stock, the right to vote such Restricted Stock and the right to receive cash and other dividends, if any, as may be declared on the Restricted Stock from time to time. Any securities issued to or received by the Grantee in respect of Restricted Stock as a result of a stock split, a dividend payable in capital stock or other securities, a combination of shares or any other change or exchange of the Restricted Stock for other securities, by reclassification, reorganization, distribution, liquidation, merger or consolidation, or otherwise, shall be subject to the same restrictions on transfer and vesting, have the same status, and bear the same legend, as the Restricted Stock, unless otherwise determined by the Committee in a manner more favorable to the Grantee.

9. Legend. Until the vesting of Shares of Restricted Stock pursuant to Section 2 above and the removal of the transfer restrictions pursuant to Section 2(a)(ii) or 2(e) above, each certificate evidencing such Shares

shall be registered in the Grantee's name and shall bear the following legend: THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS AND CONDITIONS (INCLUDING FORFEITURE) CONTAINED IN A RESTRICTED STOCK AWARD AGREEMENT BETWEEN MBIA INC. AND JOSEPH W. BROWN, AND NEITHER THIS CERTIFICATE NOR THE SHARES REPRESENTED BY IT ARE ASSIGNABLE OR OTHERWISE TRANSFERABLE EXCEPT IN ACCORDANCE WITH SUCH AGREEMENT, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY. Promptly following the vesting of any Shares of Restricted Stock pursuant to Section 2 above and the removal of the transfer restrictions pursuant to Section 2(a)(ii) or 2(e) above, the Grantee shall be furnished certificate(s) that bear no such legend for any such Shares that have vested.

10. *Withholding.* The Grantee agrees to make appropriate arrangements with the Company for satisfaction of any applicable tax withholding requirements (*tax obligations*) arising out of this Agreement. Such tax obligations may be satisfied in cash or, at the election of the Grantee, with vested Shares of Restricted Stock that have an aggregate Market Value on the date of vesting equal to the amount of taxes required to be withheld.

11. *Amendment or Waiver.* No provision of this Agreement may be amended unless such amendment is set forth in a writing that is signed by the Parties and that specifically identifies the provision(s) being amended. No waiver by any person of any breach of any condition or provision contained in this Agreement shall be deemed a waiver of any breach of a similar or dissimilar condition or provision at the same or any prior or any subsequent time. To be effective, any waiver must be in writing signed by the waiving person.

12. *References and Headings.* References herein to rights and obligations of the Grantee shall apply, where appropriate, to the estate or other legal representative of the Grantee or his successors and assigns as permitted under this Agreement, as the case may be, without regard to whether specific reference to such estate or other legal representative or his successors and assigns is contained in a particular provision of this Agreement. The headings of Sections contained in this Agreement are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

13. *Notices.* Any notice required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given (i) when delivered directly to the person concerned or (ii) three business days after being sent by postage-prepaid certified or registered mail or by nationally recognized overnight carrier, return receipt requested, duly addressed to the person concerned at the location indicated below (or to such changed address as such party may subsequently by similar process give notice of):

If to the Company, at the Company's headquarters and to the attention of the Office of the Secretary, with a copy to Gibson, Dunn & Crutcher LLP, 1050 Connecticut Ave., NW, Washington, DC 20036, Attention: John F. Olson.

If to the Grantee, at the Company's headquarters and to the attention of the Grantee, with a copy to Morrison Cohen, LLP, 909 Third Avenue, New York, New York 10022, Attention: Robert M. Sedgwick.

If to a transferee permitted under Section 7, to the address (if any) supplied by the Grantee to the Company.

14. *Resolution of Disputes.* Any dispute or controversy arising out of or relating to this Agreement, the Grantee's employment with the Company, or the termination thereof, shall be resolved by binding

confidential arbitration, to be held in New York City before three arbitrators in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Each of the Parties shall be entitled to appoint one of the three arbitrators and the third arbitrator shall be appointed by the arbitrators appointed by the Parties. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The Company shall promptly pay all costs and expenses, including without limitation reasonable attorneys' fees, incurred by the Grantee (or his permitted successors and assigns) in resolving any claim raised in such an arbitration, other than any claim brought by the Grantee (or the Grantee's permitted successors and assigns) that the arbitrator(s) determine to have been brought (i) in bad faith or (ii) without any reasonable basis.

15. *The Company's Representations.* The Company represents and warrants that (i) subject to shareholder approval as described in Section 4 above, it is fully authorized by action of the Board and of the Committee (and of any other person or body whose action is required) to enter into this Agreement and to perform its obligations hereunder; (ii) the grant of the Restricted Stock and this Agreement have been approved in accordance with Rule 16b-3(d)(1) promulgated under the 1934 Act; (iii) the execution, delivery and performance of this Agreement by the Company does not violate any applicable law, regulation, order, judgment or decree or any agreement, plan or corporate governance document of the Company; and (iv) subject to shareholder approval as described in Section 4 above, upon the execution and delivery of this Agreement by the Company and the Grantee, this Agreement shall be the valid and binding obligation of the Company, enforceable in accordance with its terms, except to the extent enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

16. *Definitions.* For purposes of this Agreement, the following terms shall have the following meanings:

(a) *Affiliate*, when used in respect of a person or entity, shall mean any person or entity that (directly or indirectly) controls, is controlled by, or is under common control with, such person or entity.

(b) *Change of Control* shall mean the occurrence of any of the following events:

i) either (x) any Person, excluding Warburg Pincus and its Affiliates, becomes a beneficial owner (as such term is used as of the Commencement Date in Rule 13d-3, as promulgated under the 1934 Act) of 25% or more of the Voting Securities of the Company, measured either by number of securities or by voting power, or (y) Warburg Pincus and its Affiliates become the beneficial owners of 50% or more of the Voting Securities of the Company, so measured;

ii) a majority of the Board (or any successor governing body) consists of individuals other than Incumbent Directors, which term means the members of the Board who were serving on the Board on the Commencement Date, provided that any individual who becomes a member subsequent to that date whose election or nomination for election was supported by two-thirds of the directors who then comprised the Incumbent Directors shall be considered to be an Incumbent Director for purposes hereof;

iii) the Board (or any successor governing body) adopts any plan of liquidation providing for the distribution of all or substantially all of the Company's assets;

iv) the security holders of the Company approve a merger, consolidation, share or security exchange, division, sale or other disposition of all or substantially all of the business or assets of

the Company (a *Corporate Event*), as a result of which the security holders of the Company immediately prior to such Corporate Event (the *Company Shareholders*) shall not hold, directly or indirectly, immediately following such Corporate Event, and in respect of Voting Securities they held immediately prior to such Corporate Event, a majority of the Voting Securities (measured both by number and by voting power) of (x) in the case of a merger or consolidation, the surviving or resulting entity, (y) in the case of a share or security exchange, the acquiring entity or entities or (z) in the case of a division or a sale or other disposition of all or substantially all of the Company's business or assets, each surviving, resulting or acquiring entity; or

v) the Company ceases to be a publicly held corporation within the meaning of Section 162(m)(2) of the Code whose shares are listed, or eligible for sale, on a national securities exchange or national market system.

(c) *Cause* shall mean: (i) the Grantee is convicted of a felony involving moral turpitude or (ii) the Grantee engages in conduct that constitutes willful gross neglect or willful gross misconduct in carrying out his duties for the Company, resulting, in either case, in material economic harm to the Company or its Subsidiaries, unless the Grantee believed in good faith that such conduct was in, or not opposed to, the best interests of the Company. Notwithstanding the immediately preceding sentence, Cause shall not exist for purposes of this Agreement unless the following procedural requirements have been complied with. The Grantee shall be given written notice by the Board of its intention to terminate his employment for Cause, which notice shall state in detail the particular circumstances that constitute the grounds on which the proposed termination for Cause is based. The Grantee shall have the right to have a timely hearing before the Board, and to present evidence to the Board in defense of such proposed termination and to be represented and assisted by counsel at such hearing. A determination that Cause exists may only be made upon a vote of two-thirds of the members of the Board (excluding the Grantee) after such hearing and only on the basis of the grounds set forth in the notice initially sent to the Grantee regarding such action.

(d) *Code* shall mean the Internal Revenue Code of 1986, as amended. Any reference to a particular section of the Code shall be deemed to include any successor to such section.

(e) *Constructive Termination Without Cause* shall mean a termination by the Grantee of his employment with the Company on 30 days written notice given to the Company within 60 days following the occurrence, without his prior written consent, of any of the following events:

i) the failure to elect or reelect the Grantee as a member of the Board, or as Chairman and Chief Executive Officer, or the removal of him from any such positions other than in connection with an actual termination of employment by the Company for Cause in accordance with the provisions hereof;

ii) the assignment to the Grantee of duties or responsibilities that are not commensurate with the Grantee's position as Chairman and Chief Executive Officer, or any material diminution in the Grantee's duties or authorities as Chairman and Chief Executive Officer (other than as may be agreed from time to time by the Grantee in writing), or any change in the reporting structure so that the Grantee reports to any person or entity other than the Board; or

iii) any material breach of any material obligation of the Company to the Grantee, whether under this Agreement or otherwise, which breach is not cured by the Company within 10 business

days of receipt by the Company of written notice thereof setting forth in reasonable detail the grounds on which such breach is alleged.

(f) *Disability* shall mean the Grantee's inability, due to physical or mental incapacity, to substantially perform his duties and responsibilities as Chairman and Chief Executive Officer for a period of 180 consecutive days as determined by an approved medical doctor. For this purpose, an approved medical doctor shall mean a medical doctor selected by the Parties. If the Parties cannot agree on a medical doctor, each Party shall select a medical doctor and the two doctors shall select a third who shall be the approved medical doctor for this purpose.

(g) *Market Value*, when used with respect to the value of a security on a particular day, shall mean the closing price for which such security is purchased that day (or, if such day is not a Trading Day, on the most recent preceding Trading Day on which such a purchase occurred) on the principal national securities exchange or national market system on which such securities are then listed or eligible for sale (or, if such securities are not then listed or eligible for sale on any such exchange or market system, the value as determined by agreement between the Parties (without discount for illiquidity, lack of control, contractual restrictions, or the like), or, in the absence of such agreement, the value as determined in accordance with Section 14 above (again, without discount for illiquidity, lack of control, contractual restrictions, or the like).

(h) *1933 Act* shall mean the Securities Act of 1933, as amended.

(i) *1934 Act* shall mean the Securities Exchange Act of 1934, as amended.

(j) *Person*, when used in the definition of a Change of Control, shall have the meaning ascribed to such term as of the Commencement Date in Section 3(a)(9) of the 1934 Act, as supplemented by Section 13(d)(3) of the 1934 Act; provided, however, that Person shall not include (i) the Company or any subsidiary of the Company or (ii) any employee benefit plan sponsored by the Company or any subsidiary of the Company.

(k) *Retirement Date* shall mean the date (if any) on which the Grantee's employment with the Company terminates (x) by mutual written agreement of the Parties, (y) due to the Grantee's death or Disability, or (z) in a termination by the Company not for Cause or by the Grantee is a Constructive Termination Without Cause.

(l) *Subsidiary*, when used in respect of a person or entity, shall mean any Affiliate of such person or entity that such person or entity (directly or indirectly) controls.

(m) *Trading Day* shall mean a day on which the New York Stock Exchange (or any successor thereto) is fully open for trading.

(n) *Voting Securities*, when used in respect of an entity, shall mean all outstanding securities of that entity that entitle the holders thereof to vote to elect members of the entity's board of directors (or similar governing body).

(o) *Warburg Pincus* means Warburg Pincus Private Equity X, Warburg Pincus LLC, and their Affiliates.

17. *Successors.*

(a) This Agreement shall be binding upon and inure to the benefit of the Parties and their respective permitted successors, heirs (in the case of the Grantee) and assigns.

(b) No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that such rights and obligations may be assigned or transferred pursuant to a merger, consolidation or other combination in which the Company is not the continuing entity, or a sale or liquidation of all or substantially all of the business and assets of the Company, *provided* that the assignee or transferee is the successor to all or substantially all of the business and assets of the Company and such assignee or transferee expressly assumes the liabilities, obligations and duties of the Company as set forth in this Agreement. In the event of any merger, consolidation, other combination, sale of business and assets, or liquidation as described in the preceding sentence, the Company shall use its best reasonable efforts to cause such assignee or transferee to promptly and expressly assume the liabilities, obligations and duties of the Company hereunder.

18. *Expense Reimbursement.* Promptly upon presentation of reasonable supporting documentation, the Company shall pay (or reimburse the Grantee for) any expenses (including attorneys' fees and other charges of counsel) reasonably incurred by him in connection with the negotiation, documentation and implementation of this Agreement.

19. *Governing Law.* This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Connecticut without regard to the principles of conflict of laws.

20. *Counterparts.* This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which, when taken together, shall constitute one document.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

MBIA INC.

By: /s/ Kevin D. Silva
Name: Kevin D. Silva
Title: Chief Administrative Officer

GRANTEE

/s/ Joseph W. Brown
Joseph W. Brown

ANNUAL MEETING OF SHAREHOLDERS

Thursday, May 1, 2008

10:00 A.M.

CORPORATE HEADQUARTERS

113 King Street

Armonk, NY 10504

You can view the Annual Report and Proxy Statement on the Internet at <http://investor.mbia.com>.

113 King Street

Armonk, NY 10504

Proxy

This proxy is solicited by the Board of Directors for use at the Annual Meeting of MBIA Inc. on May 1, 2008.

The undersigned hereby appoints Daniel P. Kearney and David M. Moffett and each of them the proxies and agents of the undersigned, each with power of substitution, to vote all shares of Common Stock of MBIA Inc. (the Company), which the undersigned is entitled to vote at the Annual Meeting of Shareholders of the Company to be held at MBIA Inc., 113 King Street, Armonk, New York, on Thursday, May 1, 2008, at 10:00 A.M. (EDT), and at any adjournment thereof, with all the powers which the undersigned would possess if personally present, hereby revoking any prior proxy to vote at such meeting and hereby ratifying and confirming all that said proxies and agents or their substitutes or any of them may lawfully do by virtue hereof, upon the following matters, as described in the MBIA Inc. Proxy Statement, receipt of which is hereby acknowledged, and in their discretion, upon such other business as may properly come before the meeting or any adjournment thereof.

See reverse for voting instructions.

COMPANY #

There are three ways to vote your Proxy.

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Your telephone or Internet vote authorizes the Named Proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

VOTE BY PHONE TOLL FREE 1-800-560-1965 QUICK ««« EASY ««« IMMEDIATE

Use any touch-tone telephone to vote your proxy 24 hours a day, 7 days a week, until 4:00 p.m. (EDT) on April 30, 2008.

Please have your proxy card and the last four digits of your Social Security Number or Tax Identification Number available. Follow the simple instructions the voice provides you.

VOTE BY INTERNET www.eproxy.com/mbi/ QUICK ««« EASY ««« IMMEDIATE

Use the Internet to vote your proxy 24 hours a day, 7 days a week, until 4:00 p.m. (EDT) on April 30, 2008.

Please have your proxy card and the last four digits of your Social Security Number or Tax Identification Number available. Follow the simple instructions to obtain your records and create an electronic ballot.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we've provided or return it to **MBIA Inc.**, c/o Shareowner ServiceSM, P.O. Box 64873, St. Paul, MN 55164-0873.

If you vote by Phone or Internet, please do not mail your Proxy Card

The Board of Directors Recommends a Vote FOR Items 1-4.

1. Election of directors:	01 Joseph W. Brown	..	For	..	Against	..	Abstain	06 Laurence H. Meyer	..	For	..	Against	..	Abstain
THE BOARD OF DIRECTORS	02 David A. Coulter	..	For	..	Against	..	Abstain	07 David M. Moffett	..	For	..	Against	..	Abstain
RECOMMENDS A VOTE FOR	03 Claire L. Gaudiani	..	For	..	Against	..	Abstain	08 John A. Rolls	..	For	..	Against	..	Abstain
EACH OF THE LISTED	04 Daniel P. Kearney	..	For	..	Against	..	Abstain	09 Richard C. Vaughan	..	For	..	Against	..	Abstain
NOMINEES.	05 Kewsong Lee	..	For	..	Against	..	Abstain	10 Jeffery W. Yabuki	..	For	..	Against	..	Abstain

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2. Approval of the right to exercise certain warrants issued to Warburg Pincus Private Equity X, L.P. and its affiliate for shares of MBIA Inc. common stock .. For .. Against .. Abstain

3. Approval of restricted stock awards for Joseph W. Brown .. For .. Against .. Abstain

4. Approval of Appointment of PricewaterhouseCoopers LLP as independent auditors. .. For .. Against .. Abstain

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED FOR EACH PROPOSAL.

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Address Change? Mark Box Indicate changes below Date _____

Signature(s) in Box

Please sign exactly as your name(s) appears on Proxy. If held in joint tenancy, all persons must sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the proxy.