

RLJ Lodging Trust
Form PREC14A
April 12, 2018
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant X

Filed by a Party other than the Registrant O

Check the appropriate box:

- x Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- o Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material under §240.14a-12

RLJ LODGING TRUST

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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- (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
-

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[•], 2018

Dear Fellow Shareholders:

You are cordially invited to attend the 2018 Annual Meeting of Shareholders (the Annual Meeting) of RLJ Lodging Trust, which will be held [] at [], at [] a.m. Eastern Time.

Your Board of Trustees, or the Board, is recommending a highly qualified, experienced, diverse and actively engaged slate of nominees for election to the Board of Trustees at the Annual Meeting. Your Board's nominees are Robert L. Johnson, Leslie D. Hale, Evan Bayh, Arthur Collins, Nathaniel A. Davis, Patricia L. Gibson, Robert M. La Forgia, Robert J. McCarthy and Glenda G. McNeal. Your Board brings executive and financial leadership, a wide range of complementary skills and backgrounds relevant to the Company's industry, strategy and commitment to shareholder value and rich gender, racial and ethnic diversity. As a group, the average tenure of the Board's nominees is approximately four years, with four of the nine nominees being new to the Board since 2016.

At the Annual Meeting, you will be asked to (1) elect nine trustees; (2) ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2018; (3) approve (on a non-binding basis) the compensation of our named executive officers; (4) recommend (on a non-binding basis) the frequency of the advisory vote related to the compensation of our named executive officers; and (5) transact such other business as may properly come before the Annual Meeting or any adjournments or postponements of the Annual Meeting. The accompanying Proxy Statement provides a detailed description of these proposals.

To assist you in voting your shares, you will find enclosed the Notice of Annual Meeting, the 2018 Proxy Statement and our 2017 Annual Report to Shareholders, which includes our audited financial statements. We urge you to read the accompanying materials so that you will be informed about the business to be addressed at the Annual Meeting.

You should have also received a **WHITE** proxy card and postage-paid return envelope. **WHITE** proxy cards are being solicited on behalf of our Board of Trustees.

Your vote will be especially important at the meeting. Jonathan Litt's Land & Buildings Capital Growth Fund, LP (Land & Buildings) has notified the Company of its intention to propose trustee nominees for election at the Annual Meeting in opposition to the nominees recommended by the Board of Trustees. As a result, you may receive solicitation materials, including a [color] proxy card, from Land & Buildings seeking your proxy to vote for Land & Buildings' nominees. We do not endorse the election of any of the Land & Buildings

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nominees to become a trustee. THE BOARD OF TRUSTEES UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF ALL OF THE BOARD'S NOMINEES USING THE ENCLOSED WHITE PROXY CARD AND URGES YOU NOT TO SIGN OR RETURN OR VOTE ANY [COLOR] PROXY CARD SENT TO YOU BY OR ON BEHALF OF LAND & BUILDINGS. If you have previously submitted a [color] proxy card sent to you by Land & Buildings, you can revoke that proxy and vote for our Board of Trustees' nominees and on the other matters to be voted on at the meeting by using the enclosed WHITE proxy card.

If you have any questions, please contact Innisfree M&A Incorporated, our proxy solicitor assisting us in connection with the Annual Meeting. Shareholders may call toll free at (888) 750-5834. Banks and brokers may call (212) 750-5833.

On behalf of our Board of Trustees and our employees, we thank you for your continued interest in and support of our company. We look forward to seeing you at the Annual Meeting.

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Sincerely,

Ross H. Bierkan

President, Chief Executive Officer and Chief Investment Officer

Robert L. Johnson

Executive Chairman

Nathaniel A. Davis

Lead Independent Trustee

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RLJ LODGING TRUST

3 Bethesda Metro Center

Suite 1000

Bethesda, MD 20814

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held on []

NOTICE IS HEREBY GIVEN that the 2018 Annual Meeting of Shareholders (the Annual Meeting) of RLJ Lodging Trust (the Company) will be held at the on [], at [] a.m. Eastern Time, for the following purposes:

- (1) to elect the nine trustees named in this Proxy Statement;
- (2) to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2018;
- (3) to approve (on a non-binding basis) the compensation of our named executive officers;
- (4) to recommend (on a non-binding basis) the frequency of the advisory vote related to the compensation of our named executive officers; and
- (5) to transact such other business as may properly come before the meeting or any adjournments or postponements of the Annual Meeting.

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The Board of Trustees, or the Board, has fixed the close of business on Wednesday, March 21, 2018 as the record date for the determination of shareholders entitled to notice of and to vote at the Annual Meeting and any adjournments or postponements of the Annual Meeting. Accordingly, only shareholders of record at the close of business on that date are entitled to notice of and to vote at the Annual Meeting and any adjournments or postponements of the Annual Meeting.

The Board of Trustees has selected the nine persons named in the attached Proxy Statement as its nominees for election to the Board of Trustees at the Annual Meeting.

Jonathan Litt's Land & Buildings Capital Growth Fund, LP (Land & Buildings) has notified the Company of its intention to propose trustee nominees for election at the Annual Meeting. As a result, you may receive solicitation materials, including a [COLOR] proxy card, from Land & Buildings seeking your proxy to vote for Land & Buildings' nominees. We do not endorse the election of any of the Land & Buildings nominees to become a trustee. **THE BOARD OF TRUSTEES UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF ALL OF THE BOARD'S NOMINEES USING THE ENCLOSED WHITE PROXY CARD AND URGES YOU NOT TO SIGN OR RETURN OR VOTE ANY [COLOR] PROXY CARD SENT TO YOU BY OR ON BEHALF OF LAND & BUILDINGS.** If you have previously signed a [color] proxy card sent by or on behalf of Land & Buildings, you have the right to change your vote by completing, dating and signing the accompanying **WHITE** proxy card and returning it in the enclosed postage-paid envelope. Only the latest dated proxy you submit will be counted. We urge you to disregard any [color] proxy card sent to you by or on behalf of Land & Buildings.

We are not responsible for the accuracy of any information provided by or relating to Land & Buildings and their nominees contained in any proxy solicitation materials filed or disseminated by, or on behalf of, Land & Buildings or any other statements that Land & Buildings may otherwise make. Land & Buildings chooses which shareholders receive its proxy solicitation materials.

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If you have any questions or require any assistance with voting your shares, please contact:

INNISFREE M&A INCORPORATED

501 Madison Avenue, 20th Floor

New York, NY 10022

Shareholders Call Toll Free: (888) 750-5834

Banks and Brokerage Firms, Please Call: (212) 750-5833

This notice and the enclosed Proxy Statement are first being made available to our shareholders on or about [], 2018.

By Order of the Board of Trustees,

Anita Cooke Wells

Corporate Secretary and Senior Vice President

Bethesda, Maryland

[], 2018

YOUR VOTE IS VERY IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, YOU ARE URGED TO COMPLETE, DATE AND SIGN THE ACCOMPANYING WHITE PROXY CARD AND RETURN IT PROMPTLY IN THE POSTAGE-PAID ENVELOPE PROVIDED. IF YOU ATTEND THE MEETING, YOU MAY WITHDRAW YOUR PROXY AND VOTE IN PERSON, IF YOU DESIRE. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BANK, BROKER OR OTHER NOMINEE AND YOU WISH TO VOTE AT THE MEETING, YOU MUST OBTAIN A LEGAL PROXY ISSUED IN YOUR NAME FROM THAT RECORD HOLDER.

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RLJ LODGING TRUST

3 Bethesda Metro Center

Suite 1000

Bethesda, MD 20814

PROXY STATEMENT

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held on [].

**This Proxy Statement, our 2017 Annual Report to Shareholders and
our Annual Report on Form 10-K for the year ended December 31, 2017 are available**

at *<http://www.rjlodgingtrust.com/meeting.html>*

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The enclosed **WHITE** proxy card is solicited on behalf of the Board of Trustees, or the Board, of RLJ Lodging Trust, a Maryland real estate investment trust for use at the Annual Meeting of Shareholders, or the annual meeting, to be held on [], at [] a.m. Eastern Time, or at any adjournment or postponement thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Shareholders. The annual meeting will be held at [].

We are first mailing the Notice, this Proxy Statement, the enclosed **WHITE** proxy card and our 2017 Annual Report to Shareholders on or about [] to all shareholders entitled to vote at the annual meeting. Our principal executive office is located at 3 Bethesda Metro Center, Suite 1000, Bethesda, Maryland 20814. Our website is www.rjlodgingtrust.com. We make our current and periodic reports that are filed with the Securities and Exchange Commission, or the SEC, available, free of charge, on our website as soon as reasonably practicable after such

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material is electronically filed with, or furnished to, the SEC.

Land & Buildings Capital Growth Fund, LP (Land & Buildings), has notified us of its intention to propose trustee nominees for election at the annual meeting in opposition to the nominees recommended by the Board.

The Land & Buildings nominees are NOT endorsed by our Board of Trustees. We urge shareholders NOT to vote or execute any [color] proxy card that you may receive from Land & Buildings. Instead, our Board of Trustees urges you to use the **WHITE** proxy card to vote **FOR ALL** of our nominees for trustee: Robert L. Johnson, Leslie D. Hale, Evan Bayh, Arthur Collins, Nathaniel A. Davis, Patricia L. Gibson, Robert M. La Forgia, Robert J. McCarthy and Glenda G. McNeal.

We are not responsible for the accuracy of any information provided by or relating to Land & Buildings and its nominees contained in any proxy solicitation materials filed or disseminated by, or on behalf of, Land & Buildings or any other statements that Land & Buildings may otherwise make. Land & Buildings chooses which shareholders receive its proxy solicitation materials.

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ABOUT THE MEETING

What is RLJ Lodging Trust?

RLJ Lodging Trust is a self-advised, publicly traded real estate investment trust focused on acquiring premium-branded, focused-service and compact full-service hotels. As of April 2018, the Company's portfolio consists of 155 hotels with approximately 30,200 rooms located in 26 states and the District of Columbia and an ownership interest in one unconsolidated hotel with 171 rooms. The Company's Board and management believe the Company is well-positioned for continued success with a proven investment strategy, a high quality diversified portfolio, a solid balance sheet and an attractive cash flow profile

Why am I receiving this Proxy Statement?

This Proxy Statement contains information related to the solicitation of proxies for use at our 2018 annual meeting of shareholders, to be held at the [], on [], at [] a.m. Eastern Time, for the purposes stated in the accompanying Notice of Annual Meeting of Shareholders. This solicitation is made by RLJ Lodging Trust on behalf of our Board of Trustees, or the Board. We, our, us, and the Company refer to RLJ Lodging Trust.

What am I being asked to vote on?

You are being asked to vote on the following proposals:

- **Proposal 1 (Election of Trustees):** The election of the nine trustee nominees named in this Proxy Statement, each for a term expiring at the 2019 annual meeting of shareholders;
- **Proposal 2 (Ratification of PricewaterhouseCoopers LLP):** The ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2018;
- **Proposal 3 (Non-Binding Advisory Vote to Approve Named Executive Officer Compensation):** An advisory (non-binding) vote to approve the compensation of our named executive officers, which is commonly referred to as Say-On-Pay ; and

- **Proposal 4 (Non-Binding Advisory Vote on the Frequency of Say-On-Pay Advisory Votes):** An advisory (non-binding) vote on the frequency of future shareholder advisory votes to approve the compensation of our named executive officers, which is commonly referred to as Say When On Pay .

Have other candidates been nominated for election as trustees at the annual meeting in opposition to the Board's nominees?

Yes. Land & Buildings has notified the Company of its intent to nominate a slate of two nominees for election as trustees at the annual meeting in opposition to the nominees recommended by the Board. The Board does not endorse any Land & Buildings nominee. As described above, the Board has selected the nine persons named in Proposal 1 as its nominees for election to the Board at the annual meeting and unanimously recommends that you vote **FOR** the election of each of the nominees proposed by the Board by using the **WHITE** proxy card accompanying this Proxy Statement. The Board strongly urges you not to sign or return any [color] proxy card that may be sent to you by or on behalf of Land & Buildings.

What are the Board's voting recommendations?

The Board recommends that you vote as follows:

- **Proposal 1 (Election of Trustees):** **FOR ALL** of the Board's nine nominees for election as trustees;

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- **Proposal 2 (Ratification of PricewaterhouseCoopers LLP): FOR** the ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2018;
- **Proposal 3 (Non-Binding Advisory Vote to Approve Named Executive Officer Compensation): FOR** the advisory (non-binding) Say-On-Pay vote to approve the compensation of our named executive officers; and
- **Proposal 4 (Non-Binding Advisory Vote on the Frequency of Say-On-Pay Advisory Votes): EVERY YEAR** with respect to the advisory vote on the frequency of future Say-On-Pay votes. While our Board is recommending that you vote **EVERY YEAR** with respect to the frequency of holding future Say-On-Pay votes, shareholders are being asked to vote on whether future Say-On-Pay votes should occur every one, two or three years, or to abstain from voting on the matter, and not whether they approve or disapprove of the Board's recommendation.

Who is entitled to vote at the annual meeting?

Only holders of record of our common shares at the close of business on March 21, 2018, the record date for the annual meeting, are entitled to receive notice of the annual meeting and to vote at the meeting. Our common shares constitute the only class of securities entitled to vote at the meeting.

What are the voting rights of shareholders?

Each common share outstanding on the record date entitles its holder to cast one vote on each matter to be voted on.

How many trustees can I vote for?

Shareholders can vote for up to nine nominees for trustee. We recommend that you vote **FOR ALL** of our nominees for trustee.

Who can attend the annual meeting?

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All holders of our common shares at the close of business on March 21, 2018, the record date for the annual meeting, or their duly appointed proxies, are authorized to attend the annual meeting. Admission to the meeting will be on a first-come, first-served basis. If you attend the meeting, you may be asked to present valid photo identification, such as a driver's license or passport, before being admitted. Cameras, recording devices and other electronic devices will not be permitted at the meeting. For directions to the annual meeting of shareholders, contact our proxy solicitor.

Please also note that if you are the beneficial owner of shares held in street name (that is, through a bank, broker or other nominee), you will need to bring a copy of the brokerage statement reflecting your share ownership as of March 21, 2018.

What is the difference between holding shares as a shareholder of record and as a beneficial owner?

Many shareholders hold their shares through a stockbroker, bank or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

- ***Shareholder of record.*** If your shares are registered directly in your name with our transfer agent, Wells Fargo Shareowner Services, you are considered the shareholder of record of those shares and these proxy materials are being sent directly to you by us.

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- **Beneficial owner.** If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker or nominee which is considered, with respect to those shares, the shareholder of record. As the beneficial owner, you have the right to direct your broker how to vote and are also invited to attend the annual meeting. However, since you are not the shareholder of record, you may not vote these shares in person at the annual meeting unless you bring with you a legal proxy from the shareholder of record.

What does it mean if I receive more than one WHITE proxy card?

If your shares are registered differently or are in more than one account, you will receive a **WHITE** proxy card for each account. To ensure that all of your shares are voted, please follow the instructions you receive for each account to complete, sign, date and return each **WHITE** proxy card you receive.

To ensure shareholders have the Company's latest proxy information and materials to vote, the Board expects to conduct multiple mailings prior to the date of the annual meeting and, as a result, you may receive more than one copy of the **WHITE** proxy card regardless of whether or not you have previously submitted your proxy. Whether or not you plan to attend the annual meeting in person, you are urged to mark, date, sign and return a **WHITE** proxy card in the postage-paid envelope provided as promptly as possible. **Only the latest dated proxy you submit will be counted.**

Why have I received different color proxy cards?

Land & Buildings has notified the Company of its intent to nominate a slate of two nominees for election as trustees at the annual meeting in opposition to the nominees recommended by the Board. The Company has provided you with the enclosed **WHITE** proxy card. You may receive proxy solicitation materials from Land & Buildings, including an opposition proxy statement and [color] proxy card. **OUR BOARD OF TRUSTEES URGES YOU NOT TO SIGN OR RETURN ANY [COLOR] PROXY CARD SENT TO YOU BY OR ON BEHALF OF LAND & BUILDINGS.** If you have previously signed a [color] proxy card sent by or on behalf of Land & Buildings, you have the right to change your vote. If you are a shareholder of record, you may change your vote by marking, dating, signing and returning the enclosed **WHITE** proxy card in the postage-paid envelope provided. A later dated proxy submitted to Land & Buildings would also revoke a prior proxy granted to us. If you are a beneficial holder, please follow the voting instructions provided by your bank, broker or other nominee to change your vote. **Only the latest dated proxy card you vote will be counted.**

We urge you to disregard any [color] proxy card sent to you by or on behalf of Land & Buildings or on behalf of anyone other than the Company. Please note that if you submit a [color] proxy card to **WITHHOLD** authority to vote your shares with respect to any Land & Buildings nominees, that submission will not cause your shares to be counted as a vote **FOR** any of our Board's nominees and will result in the revocation of any previous proxy you may have submitted using our **WHITE** proxy card.

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How will my shares be voted if I do not provide specific voting instructions in the WHITE proxy card that I submit?

If you submit a **WHITE** proxy card without giving specific voting instructions on one or more matters listed in the notice for the meeting, your shares will be voted as recommended by our Board on such matters, and as the proxy holders may determine in their discretion how to vote with respect to any other matters properly presented for a vote at the meeting.

May I change or revoke my vote after I return my proxy card?

Yes. You may change or revoke a previously granted proxy at any time before it is exercised by (i) filing with our Secretary a notice of revocation or a duly executed proxy bearing a later date or (ii) attending the meeting and voting in person. Please note that attendance at the meeting, in itself, will not constitute a revocation of a previously granted proxy.

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If your shares are held in street name, then you may submit new voting instructions by contacting your broker or nominee. You may also vote in person at the annual meeting if you obtain a legal proxy from your broker.

If you have previously signed a [color] proxy card sent to you by Land & Buildings, you may change your vote and revoke your prior proxy by signing and dating the enclosed **WHITE** proxy card and returning it in the postage-paid envelope provided.

Submitting a [color] Land & Buildings proxy card even if you withhold your vote on the Land & Buildings nominees will revoke any vote you previously made via our WHITE proxy card. If you wish to vote pursuant to the recommendation of the Board, you should disregard any proxy card you receive that is not a WHITE proxy card and not return any [color] proxy card that you may receive from Land & Buildings.

What will constitute a quorum at the annual meeting?

The presence at the meeting, in person or by proxy, of the holders of a majority of the common shares outstanding on March 21, 2018 will constitute a quorum, permitting the shareholders to conduct business at the meeting. We will include abstentions and broker non-votes in the calculation of the number of shares considered to be present at the meeting for purposes of determining the presence of a quorum at the meeting. As of the March 21, 2018 record date, there were 175,116,856 common shares outstanding.

How many votes are needed for the proposals to pass?

The proposals to be voted on at the annual meeting have the following voting requirements:

- ***Proposal 1 (Election of Trustees):*** If Land & Buildings proceeds with its nominations, the number of trustee nominees standing for election across the Board's and Land & Buildings's slates will exceed the number of trustees to be elected. As provided in our bylaws, in such a situation, trustees are elected by a plurality of the votes cast at the annual meeting, meaning that the nine nominees receiving the most votes will be elected. Only votes cast **FOR** a nominee will be counted. If you submit the **WHITE** proxy card and do not indicate otherwise, your shares will be voted **FOR ALL** of the nine nominees named in Proposal 1 in this Proxy Statement.
- ***Proposal 2 (Ratification of PricewaterhouseCoopers LLP):*** The affirmative vote of a majority of the votes cast is required to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2018, which is considered a routine matter.

- ***Proposal 3 (Non-Binding Advisory Vote to Approve Named Executive Officer Compensation):*** The affirmative vote of a majority of the votes cast is required for approval of the advisory (non-binding) vote to approve the compensation of our named executive officers.

- ***Proposal 4 (Say-When-On-Pay):*** The affirmative vote of a majority of the votes cast is required for approval of the frequency of future shareholder advisory Say-On-Pay votes to approve the compensation of our named executive officers (Proposal 4). Since shareholders have several voting choices for Proposal 4, it is possible that no single choice will receive a majority of the votes cast. For Proposal 4, the option receiving a plurality of the votes cast on the proposal will be deemed the preferred option of shareholders.

What effect do withhold votes, abstentions and broker non-votes have on the proposals?

Withhold Votes. Only the nine nominees receiving the most FOR votes will be elected as trustees. Withhold votes will be considered present for purposes of determining the presence of a quorum at the annual meeting but will not be counted in determining the outcome of Proposal 1 (election of trustees).

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Abstentions. For purposes of each of the Proposals, abstentions will not be counted as votes cast and will have no effect on the result of the vote, although they will be considered present for the purpose of determining the presence of a quorum.

Broker Non-Votes. For brokerage accounts that receive proxy materials from or on behalf of both the Company and Land & Buildings, all items listed in the notice for the meeting will be considered non-routine matters. In that case, if you do not submit any voting instructions to your broker, your shares will not be counted in determining the outcome of any of the proposals at the annual meeting, nor will your shares be counted for purposes of determining whether a quorum exists. However, if you receive proxy materials only from us, a broker is entitled to vote shares held for a beneficial holder on routine matters, such as the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm, without instructions from the beneficial holder of those shares. On the other hand, a broker is not entitled to vote shares held for a beneficial holder on certain non-routine items, such as the election of trustees, the Say-On-Pay proposal and the Say-When-On-Pay proposal. **If you are a beneficial holder and want your vote to count on these non-routine proposals, it is critical that you instruct your broker how to vote your shares.** Consequently, if you receive proxy materials only from us and you do not submit any voting instructions to your broker, your broker may exercise its discretion to vote your shares on the proposal to ratify the appointment of PricewaterhouseCoopers LLP. If your shares are voted on this item as directed by your broker, your shares will constitute broker non-votes on each of the non-routine items and will not be counted in determining the number of shares necessary for approval of the non-routine items, although they will count for purposes of determining whether a quorum exists.

Will any other matters be voted on?

As of the date of this Proxy Statement, we are not aware of any matters that will come before the annual meeting other than those disclosed in this Proxy Statement. If any other matters are properly brought before the annual meeting, the persons named in the accompanying **WHITE** proxy card will vote the shares represented by the proxies on the other matters in the manner recommended by our Board, or, if no such recommendation is given, in the discretion of the proxy holders.

How do I vote?

If you are a shareholder of record, you may vote by telephone, via the Internet or by marking your voting instructions, signing, dating and mailing your **WHITE** proxy card in the enclosed postage-paid envelope. Simply follow the instructions provided on your **WHITE** proxy card. If you are a beneficial owner and your shares are held by a bank or broker, you should follow the instructions provided to you by the bank or broker. Although most banks and brokers now offer voting by mail, telephone and on the Internet, availability and specific procedures will depend on their voting arrangements.

If I plan to attend the annual meeting, should I still vote by proxy?

Yes. Voting in advance does not affect your right to attend the annual meeting. If you send in your **WHITE** proxy card and also attend the annual meeting, you do not need to vote again at the annual meeting unless you want to change your vote. Written ballots will be available at the meeting for shareholders of record. Beneficial owners who wish to vote in person at the annual meeting must request a legal proxy from their brokerage firm, bank, trustee or other agent and bring that legal proxy to the annual meeting.

How are proxy card votes counted?

If the accompanying **WHITE** proxy card is properly signed and returned to us, and not subsequently revoked, it will be voted as directed by you. Unless contrary instructions are given, the persons designated as proxy holders on the **WHITE** proxy card will vote: **FOR ALL** of the Board's nominees named in Proposal 1 of this Proxy Statement; **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2018; **FOR** the advisory (non-binding) Say-On-Pay vote to approve the compensation of our named executive officers; **FOR** one year on the advisory vote on the frequency of holding advisory Say-On-Pay votes of shareholders; and as recommended by our

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Board of Trustees with regard to any other matters that may properly come before the meeting, or, if no such recommendation is given, in their own discretion.

Who will count the votes?

The Inspector of Election appointed for the annual meeting will separately tabulate the affirmative and negative votes, withheld votes, abstentions and broker non-votes.

Where can I find the voting results of the Annual Meeting?

We will report preliminary voting results by filing a Current Report on Form 8-K within four business days following the date of the annual meeting. If final voting results are not known when such report is filed, they will be announced in an amendment to such report within four business days after the final results become known.

Who pays the costs of soliciting proxies?

We will bear the entire costs of soliciting proxies, including the preparation, assembly, printing and mailing of this Proxy Statement and any additional solicitation material furnished to our shareholders. Copies of solicitation materials will be furnished to brokerage houses, fiduciaries, and custodians holding shares in their names that are beneficially owned by others so that they may forward the solicitation material to such beneficial owners, and we expect to reimburse the corresponding forwarding expenses. We have retained the services of Innisfree M&A Incorporated (Innisfree) to solicit proxies, for which we estimate that we will pay a fee not to exceed \$[].

Innisfree has informed us that it intends to employ approximately [] persons to solicit proxies. In addition to soliciting proxies by mail, our officers, trustees and other employees, without additional compensation, may solicit proxies personally or by other appropriate means. It is anticipated that banks, brokers, fiduciaries, custodians and nominees will forward proxy soliciting materials to their principals, and that we will reimburse such persons out-of-pocket expenses. Our expenses related to the solicitation of proxies, including fees for attorneys and other advisers and advertising, printing and related costs, but excluding salaries and wages of our regular employees, are currently expected to be approximately \$[], of which \$[] has been spent to date.

Who can I contact if I have questions or need assistance in voting my shares, or if I need additional copies of the proxy materials?

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If you have any questions or require any assistance with voting your shares, please contact our proxy solicitor at:

INNISFREE M&A INCORPORATED

501 Madison Avenue, 20th Floor

New York, NY 10022

Shareholders Call Toll Free: (888) 750-5834

Banks and Brokerage Firms, Please Call: (212) 750-5833

You should rely only on the information provided in this Proxy Statement. We have not authorized anyone to provide you with different or additional information. You should not assume that the information in this Proxy Statement is accurate as of any date other than the date of this Proxy Statement or, where information relates to another date set forth in this Proxy Statement, then as of that date.

We are not responsible for the accuracy of any information provided by or on behalf of, or relating to, Land & Buildings contained in any proxy solicitation materials filed or disseminated by or on behalf of Land & Buildings or any other statements that Land & Buildings or its affiliates or participants may otherwise make. Land & Buildings chooses which shareholders receive its proxy solicitation materials.

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PARTICIPANTS IN THE PROXY SOLICITATION

Under applicable regulations of the Securities and Exchange Commission (the SEC), in addition to the Company, each person who is a member of the Board and each person who is an executive officer of the Company listed below under Additional Information Regarding Participants in the Solicitation in *Annex A* is deemed to be a participant in the proxy solicitation. Information relating to the participants in our solicitation is contained in *Annex A* attached hereto. Proxies may also be solicited by certain of our regular employees, without additional compensation.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held on [].

**This Proxy Statement, our 2017 Annual Report to Shareholders and
our Annual Report on Form 10-K for the year ended December 31, 2017 are available
at <http://www.rjlodgingtrust.com/meeting.html>**

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Our Board of Trustees is currently comprised of nine trustees, all of whom have terms expiring at the 2018 annual meeting. **In evaluating our Board and considering this Proposal, we encourage you to review the Corporate Governance and Board Matters section of this Proxy Statement below, including as to the role of the Board of Trustees in our strategy, our approach to board refreshment, our commitment to ensuring shareholders have an engaged and responsive Board of Trustees in place with the right skillsets and diversity, our shareholder engagement practices and our strong, shareholder-friendly corporate governance. More information about our nominees is included below.**

The nominees, all of whom are currently serving as trustees of the Company except Leslie D. Hale, who will serve as the Company's new President and Chief Executive Officer effective August 2018, have been recommended by our Board of Trustees for election or re-election to serve as trustees for one-year terms until the 2019 annual meeting of shareholders and until their successors are duly elected and qualified. Based on its review of the relationships between the trustee nominees and the Company, the Board of Trustees has affirmatively determined that the following trustees are independent trustees under the rules of the NYSE and under applicable rules of the Securities and Exchange Commission (the SEC): Evan Bayh, Arthur Collins, Nathaniel A. Davis, Patricia L. Gibson, Robert M. La Forgia, Robert J. McCarthy and Glenda G. McNeal.

The Board of Trustees knows of no reason why any nominee would be unable to serve as a trustee. If any nominee is unavailable for election or service, the Board of Trustees may designate a substitute nominee and the persons designated as proxy holders on the **WHITE** proxy card will vote for the substitute nominee recommended by the Board of Trustees. Under these circumstances, the Board of Trustees may also, as permitted by our bylaws, decrease the size of our Board of Trustees.

Nominees for Election for a One-Year Term Expiring at the 2019 Annual Meeting

The following table sets forth the name and age of each nominee for trustee, indicating all positions and offices with us currently held by the trustee nominee.

Name	Age(1)	Title
Robert L. Johnson	71	Executive Chairman of the Board of Trustees
Leslie D. Hale	45	Chief Operating Officer, Chief Financial Officer and Executive Vice President (incoming President and Chief Executive Officer of the Company, effective August 2018)
Evan Bayh	62	Trustee
Arthur Collins	58	Trustee
Nathaniel A. Davis	64	Trustee
Patricia L. Gibson	55	Trustee
Robert M. La Forgia	59	Trustee

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Robert J. McCarthy	64	Trustee
Glenda G. McNeal	57	Trustee

(1) Age as of March 28, 2018.

Set forth below are descriptions of the backgrounds and principal occupations of each of our trustee nominees.

Robert L. Johnson has served as the Executive Chairman of our Board of Trustees since the formation of the Company in 2011. Prior to the formation of the Company, Mr. Johnson co-founded and served as the chairman of RLJ Development, LLC (RLJ Development) and founded and currently serves as the chairman of The RLJ Companies, LLC (RLJ Companies), which owns or holds interests in a diverse portfolio of companies in the banking, private equity, real estate, film production, gaming and automobile dealership industries. Prior to

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co-founding RLJ Development in 2000, he was founder and chairman of Black Entertainment Television, or BET. Mr. Johnson continued to serve as chief executive officer of BET until 2006 after its 2001 acquisition by Viacom Inc. He currently serves as the executive chairperson of RLJ Entertainment Inc. (NASDAQ: RLJE) and also serves on the boards of directors of KB Home (NYSE: KBH), Lowe's Companies, Inc. (NYSE: LOW) and Elevate Credit Inc. (NYSE: ELVT). Mr. Johnson received his Bachelor of Arts degree from the University of Illinois and his Master of Public Administration degree from Princeton University.

Our Board of Trustees determined that Mr. Johnson should serve on our Board of Trustees based on his experience as a successful business leader and entrepreneur, as well as his experience in a number of critical areas, including real estate, finance, brand development and multicultural marketing.

Leslie D. Hale would become a trustee for the first time upon her election at the 2018 annual meeting. She has served as Chief Operating Officer, Chief Financial Officer and Executive Vice President of the Company since July 2016, and will serve as President and Chief Executive Officer of the Company beginning on August 22, 2018, following the retirement of Ross H. Bierkan, the current President, Chief Executive Officer and Chief Investment Officer of the Company. Prior to serving in her current roles at the Company, Ms. Hale served as Chief Financial Officer, Treasurer and Executive Vice President of the Company beginning in February 2013. Ms. Hale previously served as chief financial officer and senior vice president of real estate and finance of RLJ Development from 2007 until the formation of the Company, when she became the Company's chief financial officer, treasurer and senior vice president. She previously was the vice president of real estate and finance for RLJ Development from 2006 to September 2007 and director of real estate and finance from 2005 until her 2006 promotion. In these positions, Ms. Hale was responsible for the finance, tax, treasury and portfolio management functions as well as executing all real estate transactions. From 2002 to 2005, she held several positions within the global financial services division of General Electric Corp., including as a vice president in the business development group of GE Commercial Finance, and as an associate director in the GE Real Estate strategic capital group. Prior to that, she was an investment banker at Goldman, Sachs & Co. Ms. Hale received her Bachelor of Business Administration degree from Howard University and her Master of Business Administration degree from Harvard Business School. Ms. Hale has served on the board of directors of Macy's Inc. (NYSE: M) (Macy's) since January 2015 and currently serves on the Audit and Finance Committees of Macy's Board, and is a member of the Howard University Board of Trustees.

Our Board of Trustees determined that Ms. Hale, whom the Board has announced will become President and Chief Executive Officer of the Company in August 2018 when Mr. Bierkan retires, should serve on our Board of Trustees based on her many years of leadership and senior executive experience; her deep involvement in the operational and financial sides of the Company's business; her knowledge of real estate and the Company and its strategies and opportunities for creating shareholder value; her financial depth in various disciplines, including capital allocation, finance, treasury, real estate and business development; and her experience with long-term strategic planning, asset management, transactions at asset and corporate levels, acquisitions, dispositions, investments, financing, and operational execution. Her experience and relationships in the lodging industry and insights into the evolving retail and consumer environment from her service as a director of Macy's are also valuable assets to the Company, including the Board.

Evan Bayh has served as one of our trustees and as chairman of our Nominating and Corporate Governance Committee since our initial public offering in May 2011. Since 2011, Senator Bayh has been a partner at McGuireWoods LLC, a global diversified law firm, and a senior advisor at Apollo Global Management, a leading global alternative asset management firm. From 1999 through 2010, Senator Bayh was a member of the United States Senate, representing

the state of Indiana. He served on six Committees Banking, Housing and Urban Affairs; Armed Services; Energy and Natural Resources; the Select Committee on Intelligence; Small Business and Entrepreneurship; and the Special Committee on Aging. He also chaired two subcommittees. From 1989 until 1997, Senator Bayh served as the Governor of Indiana. Senator Bayh currently serves on the boards of directors of Berry Plastics (NYSE: BERY), Marathon Petroleum (NYSE: MPC) and Fifth Third Bank (NASDAQ:FITB). Senator Bayh received a Bachelor's degree in Business Economics with honors from Indiana University and a Juris Doctor degree from the University of Virginia.

Our Board of Trustees determined that Senator Bayh's experience as a former United States Senator and former Governor of Indiana, in addition to his breadth of management experience and public company board

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service, adds valuable expertise to our Board of Trustees, especially with respect to regulatory and governance issues.

Arthur Collins has served as one of our trustees since November 2016. Since 1989, Mr. Collins has been Managing Partner of theGROUP, a government relations and public affairs consulting firm that Mr. Collins founded. Mr. Collins currently serves as chairman of the board of trustees of Morehouse School of Medicine and as a member of the boards of trustees of The Brookings Institution and Meridian International Center. He has previously served as chairman of the board of trustees of Florida A&M University. Mr. Collins received his Bachelor's degree in Accounting and Finance from Florida A&M University and a doctor of humane letters from Florida A&M University.

Our Board of Trustees determined that Mr. Collins should serve on our Board of Trustees due to his overall business acumen and experience, knowledge of and contacts in the business environment, expertise in governmental affairs and regulatory matters, personal qualities and ability to devote the time necessary to serving on the Board of Trustees. Further, our Board of Trustees believes that Mr. Collins' government relations experience will be helpful in navigating and influencing the current governmental and regulatory landscape.

Nathaniel A. Davis has served as one of our trustees and as chairman of our Compensation Committee since our initial public offering in May 2011. He also has served as our lead trustee since July 2016. Mr. Davis currently serves as Chief Executive Officer and Executive Chairman of the board of directors of K12 Inc. (NYSE: LRN). He has served as Executive Chairman of K12 Inc. since 2013 and previously served as Chief Executive Officer of the company from January 2014 to February 2016. Mr. Davis also has been the managing director of RANDD Advisory Group, a business consulting group that advises venture capital, media, and technology firms and provides due diligence, business process improvement, sales process improvement, management development and business plan development services, since 2003. From 2006 through 2008, Mr. Davis was the chief executive officer and president of XM Satellite Radio, a leading broadcaster of satellite radio. He also was a member of the XM Satellite Radio board of directors from 1999 until 2008. Mr. Davis served as executive-in-residence of Columbia Capital, a venture capital firm, from 2003 until 2006. From 2000 to 2003, Mr. Davis was president, chief operating officer and a member of the board of directors of XO Communications, a telecommunications service provider. Prior to this, Mr. Davis served as executive vice president, network and technical service of Nextel Communications; as chief financial officer of MCI Telecommunications U.S.; and as president and chief operating officer of MCI Metro. Mr. Davis is a member of the board of directors of UNISYS (NYSE: UIS), a systems integration company and previously was a board member of Charter Communications, a cable television operator. He received a Bachelor of Science degree in Engineering from the Stevens Institute of Technology, a Master of Science degree in Computer Science from the University of Pennsylvania and a Master of Business Administration degree from the Wharton School of Business, University of Pennsylvania.

Our Board of Trustees determined that Mr. Davis should serve on our Board of Trustees based on his extensive financial, operational, executive and entrepreneurial experience. Mr. Davis has promoted the independent leadership of the Board through his status as Lead Independent Trustee.

Patricia L. Gibson has served as one of our trustees since August 31, 2017. Ms. Gibson currently serves as Chief Executive Officer of Banner Oak Capital Partners, LP (Banner Oak), which she co-founded in October 2016. Banner Oak is an independent investment management platform with a unique focus on active management of real estate operating platforms and assets. Banner Oak oversees investments totaling over \$2.5 billion in gross asset value. Prior to this, Ms. Gibson was President of Hunt Realty Investments, Inc., or Hunt, the centralized real estate investment management company for the Hunt family and related entities. She joined Hunt as Senior Vice President in 1997. Prior to joining Hunt in 1997, Ms. Gibson held senior financial positions with Archon Group, a subsidiary of Goldman Sachs & Co., and The Travelers Realty Investment Company. Ms. Gibson is a member of the board of directors of Pacolet Milliken Enterprises, Inc., a private investment company focused on energy and real estate investments, and is the vice-chair of the Industrial and Office Parks council of the Urban Land Institute. From 2014-2016, she served as the chair of the National Association of Real Estate Managers. Ms. Gibson previously served as a director of FelCor Lodging Trust Incorporated (FelCor) from March 2016 until FelCor 's merger with a subsidiary of the Company. She received a Bachelor of Science in Finance from Fairfield University and a Master of

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Business Administration degree from the University of Connecticut. She is certified as a Chartered Financial Analyst.

Our Board of Trustees determined that Ms. Gibson should serve on our Board of Trustees based on her significant financial, real estate, investment and asset management experience, leadership in actively managing real estate platforms and assets and prior experience as a board member of a publicly traded company that owned and operated with hotel company partners a diversified portfolio of hotels.

Robert M. La Forgia has served as one of our trustees and as the chairman of our Audit Committee since our initial public offering in May 2011. Currently, Mr. La Forgia is a Principal and Chief Executive Officer of Apertor Hospitality, LLC, a national advisory services firm specializing in the hospitality and gaming industries, which he founded in August 2009. In March 2008, Mr. La Forgia joined The Atalon Group, a boutique turnaround management and advisory firm specializing in troubled real estate situations and served as Executive Vice President Finance of certain Atalon Group subsidiaries acquired in restructuring engagements, until July 2010. Prior to this, Mr. La Forgia held a number of leadership positions during his 26-year tenure at Hilton Hotels Corporation (currently Hilton Worldwide Holdings: NYSE: HLT), a global hospitality firm. Mr. La Forgia served as the Chief Financial Officer (and Chief Accounting Officer) of Hilton Hotels Corporation from 2004 through 2008, first as a Senior Vice President and subsequently as Executive Vice President. From 1996 through 2004, he was Senior Vice President and Controller of Hilton, and prior to this, he held a number of management positions within Hilton's corporate finance function. Mr. La Forgia serves on the board of advisors of Keystone National Group, a private markets investment management firm specializing in private credit and income-producing real estate with over \$1.4 billion invested since its inception in 2006. Mr. La Forgia also serves on the board of directors of the Park City Community Foundation. Mr. La Forgia received a Bachelor of Science degree in Accounting from Providence College and a Master of Business Administration degree from the Anderson School of Management at the University of California, Los Angeles.

Our Board of Trustees determined that Mr. La Forgia should serve on our Board of Trustees based on his significant experience in the critical areas of accounting, finance, real estate, capital markets and hospitality, primarily at a publicly-held company. Mr. La Forgia's 26-year tenure at Hilton Hotels Corporation is an especially valuable asset to board deliberations and oversight and the execution of the Company's strategy. Our Board of Trustees also determined that Mr. La Forgia qualifies as an audit committee financial expert.

Robert J. McCarthy has served as one of our trustees since February 2018. Mr. McCarthy currently serves as the Chairman of McCarthy Investments, LLC and as Chairman of Hotel Development Partners, a developer and owner of select service hotels. Mr. McCarthy retired from Marriott International in 2014 as Chief Operations Officer, where he oversaw Global Lodging Services, The Ritz Carlton Hotel Company and had reporting responsibilities for Marriott's four continental operating divisions spanning 4,000 hotels across 20 lodging brands. Prior to assuming the Chief Operations Officer role, he was Group President of the Americas, with oversight of more than 3,000 hotels. Mr. McCarthy is a board member at Santander Consumer USA (NYSE: SC), where he serves on the audit and compensation committees and leads the regulatory and compliance oversight committee. He also is a board member at Meeting Play, a technology company serving the hospitality industry. Mr. McCarthy received a Bachelor of Science in Business Administration from Villanova University, where he is a member of the Board of Trustees.

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Our Board of Trustees determined that Mr. McCarthy should serve on our Board of Trustees based on his record of leadership and success in the lodging industry, significant experience in hotel operations and hotel acquisitions and dispositions, and his multifaceted operational experience, including oversight of revenue management, sales, marketing, brand management, architecture and construction, and information services functions.

Glenda G. McNeal has served as one of our trustees since our initial public offering in May 2011. Since 1989, Ms. McNeal has worked for the American Express Company (NYSE: AXP), a global payments, network, credit card and travel services company. She is the President, Enterprise Strategic Partnerships, of the American Express Company, where she is responsible for managing the largest global relationships and negotiating strategic partnerships for the company. Previously, she served as executive vice president and general manager of the Global

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Client Group in Global Merchant Services and head of the Strategic Partnerships Group. Ms. McNeal was employed by Salomon Brothers, Inc. from 1987 until 1989 and began her career with Arthur Andersen, LLP in 1982. She serves on the boards of directors of United States Steel Corporation (NYSE: X), an integrated steel producer with major production operations in the United States, Canada and Central Europe, and the American Hotel & Lodging Association. Ms. McNeal received a Bachelor of Arts degree in Accounting from Dillard University and a Master of Business Administration degree in Finance from the Wharton School of Business, University of Pennsylvania.

Our Board of Trustees determined that Ms. McNeal should serve on our Board of Trustees based on her background in financial management, payments, finance, accounting, credit card services and travel-related businesses. Her leadership in managing and negotiating strategic partnerships and global business relationships has enhanced board deliberations and oversight.

Vote Required and Recommendation

The affirmative vote of a plurality of the votes cast on the election of trustees is necessary for the election of a trustee. Accordingly, the nine nominees for election to the Board who receive the highest number of votes FOR their election will be elected to serve as trustees. Cumulative voting in the election of trustees is not permitted. For purposes of the election of trustees, shares for which voting authority is withheld and broker non-votes will have no effect on the result of the vote.

OUR BOARD OF TRUSTEES UNANIMOUSLY RECOMMENDS A VOTE FOR ALL OF THE NINE NOMINEES SET FORTH ABOVE. The Board does NOT endorse any Land & Buildings nominees and urges you NOT to sign or return the [color] proxy card sent to you by or on behalf of Land & Buildings. The Company is not responsible for the accuracy of any information provided by or relating to Land & Buildings or its nominees contained in solicitation materials filed or disseminated by or on behalf of Land & Buildings or any other statements Land & Buildings may make.

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Background to Potential Contested Solicitation

The following discussion provides background information regarding our engagement with Land & Buildings in 2017 and 2018 following the closing of the Company's acquisition of FelCor and Land & Buildings ceasing to be a shareholder of FelCor. During this period, the Company also continued its extensive engagement program with other shareholders of the Company. As noted elsewhere in this Proxy Statement, active shareholder engagement by the Board and management included outreach to shareholders whose ownership at December 31, 2017 represented roughly 70% of the total common shares outstanding.

Throughout the Company's discussions with Land & Buildings, the Company remained focused on executing on its strategic initiatives, including: (1) realizing corporate synergies from the FelCor merger; (2) optimizing the portfolio through the sale of non-core FelCor hotels and the opportunistic sale of RLJ legacy hotels; (3) improving its cost of capital and deleveraging our balance sheet; and (4) reinvesting strategically in its assets to drive additional market share and future growth through select renovations and brand conversions. In addition to various business actions discussed elsewhere in this Proxy Statement, the Company also enhanced its investor relations and communications function by recruiting a new Senior Vice President, Corporate Strategy and Investor Relations to the Company, whose tenure began in January of 2018.

The Company also, under the leadership of the Board, took actions to strengthen the composition of the Board, including through appointing Patricia Gibson and Bob McCarthy to the Board as new independent directors and nominating Ms. Leslie Hale to stand for election as a new trustee at this annual meeting, and ensure that the Board is always actively engaged in discussions regarding the Company's strategy and direction. In April 2018, the Board announced that Mr. Bierkan would retire as Chief Executive Officer of the Company upon the expiration of his employment agreement in August 2018 and that Ms. Hale had been appointed to succeed him as Chief Executive Officer in line with the Board's executive succession planning.

On September 6, 2017, Land & Buildings issued an open letter setting forth its views regarding the Company, including the Company's strategy following the closing of the FelCor merger. On September 7, 2017, the Company issued a statement in response to Land & Buildings' letter, expressing that our Board and management team are committed to maximizing shareholder value; the Company is working to integrate FelCor; and the Company would be providing an update on the integration progress and business results during its third quarter earnings call. Representatives of Land & Buildings and the Company engaged in discussions heading into the Company's third quarter earnings call and following the earnings call. In late November 2017, members of the Board arranged to have a telephonic discussion with Land & Buildings regarding the fund's perspectives on the Company, and Land & Buildings submitted to the Company a private notice of intended director nominations, containing four candidates for the Company to consider as part of the on-going discussions. Members of the Board and management engaged with Land & Buildings through the end of 2017 and into 2018, including as to matters relating to corporate strategy and effectiveness, governance and shareholder engagement.

On December 15, 2017, the Company announced the sale of the 383-room Fairmont Copley Plaza at a highly accretive valuation of \$170 million. The sale of this non-core asset evidenced the Company's continuing successful execution of its strategic initiatives.

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In late 2017 and early 2018, our Board and Nominating and Corporate Governance Committee began a search for an additional highly qualified candidate to further strengthen the Board. In connection with the search, the Board and Nominating and Corporate Governance Committee reviewed the Board's existing composition, the Board's skills matrix and the current and future strategic needs of the Company. The Nominating and Corporate Governance Committee reviewed the profiles of several potential candidates, and conducted interviews of two of the four candidates suggested by Land & Buildings.

In late January, the Company negotiated amendments to three of its unsecured loans in a manner that improved the Company's maturity profile, featured new favorable pricing, strengthened the balance sheet and reduced cost of capital.

On February 9, 2018, following the Nominating and Corporate Governance Committee's determination that Robert J. McCarthy, former chief operations officer of Marriott International, had superior qualifications, attributes, knowledge and experience to serve as a trustee of the Company, with skillsets that matched the current needs and strategic focus of the Company, the Nominating and Corporate Governance Committee recommended that our Board appoint Mr. McCarthy as a new independent trustee. Subsequent to this recommendation, the Board

On February 21, 2018, the Company closed on the sale of the Embassy Suites Marlborough for \$23.7 million.

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appointed Mr. McCarthy, resulting in the Board having seven independent trustees. Following the Company's announcement of Mr. McCarthy's appointment, the Company continued to engage with shareholders, and Land & Buildings issued several public letters providing its perspectives.

On March 12, 2018, the Company announced its completed redemption of all of the outstanding 5.625% Senior Secured Notes due 2023 issued by FelCor. The senior notes had an outstanding aggregate principal amount of \$524 million. The early redemption of the Company's senior notes reflected the Company's commitment to deleveraging its balance sheet and maintaining its target net debt to EBITDA ratio of 4.0x or less over time.

Representatives of Land & Buildings and the Company continued to discuss matters related to the Company and potential resolution of a potential proxy contest, and Land & Buildings periodically published press releases and letters, including publicly indicating that it expected to proceed with nominating two candidates subject to ongoing discussions.

On March 28, 2018, the Company announced the sale of the 364-room Sheraton Philadelphia Society Hill in Philadelphia, Pennsylvania for \$95.5 million. The sale of another non-core asset at a highly accretive valuation, shortly following the December 2017 sale of the Fairmont Copley Plaza, highlighted the Company's meaningful progress in realizing the embedded value from the FelCor merger.

Throughout 2018, the parties have continued to discuss a potential negotiated resolution of Land & Buildings' proxy contest, such as through the appointment of a mutually agreed independent nominee on appropriate terms but have not reached agreement to date.

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Proposal 2: Ratification of Appointment of Independent Registered Public Accounting Firm

The Audit Committee of our Board of Trustees, which is composed entirely of independent trustees, has appointed PricewaterhouseCoopers LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2018. After careful consideration of the matter and in recognition of the importance of this matter to our shareholders, the Board of Trustees has determined that it is in the best interests of the Company and our shareholders to seek the ratification by our shareholders of our Audit Committee's selection of our independent registered public accounting firm. A representative of PricewaterhouseCoopers LLP will be present at the annual meeting, will have the opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Vote Required and Recommendation

The affirmative vote of the holders of a majority of all the votes cast at the annual meeting with respect to the matter is necessary for the approval of the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm. For purposes of approving Proposal 2, abstentions and other shares not voted (whether by broker non-vote or otherwise) will not be counted as votes cast and will have no effect on the result of the vote. Even if the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm is ratified, the Audit Committee may, in its discretion, change that appointment at any time during the year should it determine such a change would be in our and our shareholders' best interests. In the event that the appointment of PricewaterhouseCoopers LLP is not ratified, the Audit Committee will consider the appointment of another independent registered public accounting firm, but will not be required to appoint a different firm.

OUR BOARD OF TRUSTEES UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR OUR FISCAL YEAR ENDING DECEMBER 31, 2018.

Relationship with Independent Registered Public Accounting Firm

Our consolidated financial statements for the year ended December 31, 2017 have been audited by PricewaterhouseCoopers LLP, which served as our independent registered public accounting firm for that year.

The following summarizes the fees billed by PricewaterhouseCoopers LLP for services performed for the years ended December 31, 2017 and 2016:

	Year Ended December 31, 2017	Year Ended December 31, 2016
Audit Fees	\$ 2,533,228(1)	\$ 1,361,572(1)
Audit-Related Fees		
Tax Fees	\$ 427,884(2)	\$ 280,000(2)

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All Other Fees	\$	496,000(3)		
Total	\$	3,457,112	\$	1,641,572

(1) Audit fees for 2017 and 2016 include fees for services rendered for the audit of our consolidated financial statements and the report on the effectiveness of internal control over financial reporting as required by the Sarbanes-Oxley Act, the review of the consolidated financial statements included in our quarterly reports on Form 10-Q, and other services related to SEC matters.

(2) Tax fees for 2017 and 2016 include fees for preparation of tax returns, general tax consulting and compliance with U.S. federal income tax laws applicable to REITs.

(3) Other fees for 2017 relate to assistance with the Company's due diligence review for the merger with FelCor.

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Pre-Approval Policies and Procedures

The Audit Committee's policy is to review and pre-approve, either pursuant to the Audit Committee's Audit and Non-Audit Services Pre-Approval Policy or through a separate pre-approval by the Audit Committee, any engagement of the Company's independent auditor to provide any permitted non-audit service to the Company. The Audit Committee has delegated authority to its chairperson to pre-approve engagements for the performance of audit and non-audit services, for which the estimated cost for such services shall not exceed \$100,000 in the aggregate in any calendar year. The chairperson must report all pre-approval decisions to the Audit Committee at its next scheduled meeting and provide a description of the terms of the engagement. If the Audit Committee reviews and ratifies any engagement that was pre-approved by the chairperson of the Audit Committee, then the fees payable in connection with the engagement will not count against the \$100,000 aggregate annual fee limit.

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Proposal 3: Non-Binding Advisory Vote to Approve Named Executive Officer Compensation

We are providing our shareholders an annual opportunity to indicate whether they support our compensation program for our named executive officers as described in this Proxy Statement by voting for or against the resolution set forth below. This vote, pursuant to Section 14A of the Exchange Act and commonly referred to as "Say-On-Pay," is not intended to address any specific item of compensation, but instead relates to the Compensation Discussion and Analysis, the tabular disclosures regarding named executive officer compensation, and the narrative disclosure accompanying the tabular presentation. We believe that it is appropriate to seek the views of shareholders on the design and effectiveness of our executive compensation program. Although the vote on this resolution is advisory in nature and, therefore, will not bind us to take any particular action, our Compensation Committee, which is responsible for designing and administering our executive compensation program, values the opinions expressed by shareholders in their vote and will carefully consider the outcome of the vote when making future compensation decisions for our named executive officers. Our current policy is to provide our shareholders with an opportunity to approve the compensation of our named executive officers each year at the annual meeting of shareholders. It is expected that the next advisory (non-binding) vote to approve executive compensation will be held at the 2019 annual meeting of shareholders.

We believe our executive compensation policies and procedures are centered on pay-for-performance principles and are closely aligned with the long-term interests of our shareholders. As described under the heading "Compensation Discussion and Analysis," our executive compensation program is designed to attract and retain outstanding executives, to reward them for superior performance and to ensure that compensation provided to them remains competitive. We seek to align the interests of our executives and shareholders by tying a substantial portion of our executives' total compensation to performance measures that align long-term shareholder value and leadership actions that are expected to position our Company for long-term success.

For the reasons discussed above, we believe our compensation program for our named executive officers is instrumental in helping us achieve our operational and financial goals. Accordingly, we believe that our compensation program should be endorsed by our shareholders, and we are asking our shareholders to vote **FOR** the following resolution:

RESOLVED, that the shareholders hereby approve the compensation of the Company's named executive officers, as disclosed in the Compensation Discussion and Analysis, the compensation tables and the related narrative executive compensation disclosure contained in this Proxy Statement.

Vote Required and Recommendation

The affirmative vote of a majority of the votes cast at the annual meeting with respect to the matter is required to endorse (on a non-binding advisory basis) the compensation of the Company's named executive officers. For purposes of the vote on this proposal, abstentions and other shares not voted (whether by broker non-vote or otherwise) will not be counted as votes cast and will have no effect on the result of the vote.

OUR BOARD OF TRUSTEES UNANIMOUSLY RECOMMENDS A VOTE FOR THE RESOLUTION APPROVING ON A NON-BINDING ADVISORY BASIS THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS.

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Proposal 4: Non-Binding Advisory Vote on the Frequency of Say-On-Pay Advisory Votes

We are presenting this proposal to provide shareholders the opportunity to cast a non-binding advisory vote on how frequently the Company should submit a Say-On-Pay proposal for consideration by our shareholders. As a shareholder, you may vote to hold an advisory Say-On-Pay vote every one, two or three years, or to abstain from voting.

After careful consideration of this proposal, our Board of Trustees has determined that an advisory Say-On-Pay vote to approve the compensation of our named executive officers that occurs every year is the most appropriate alternative for the Company. Our Board of Trustees believes an annual advisory vote is consistent with our philosophy on executive compensation and will allow shareholders to provide their most direct input on our executive compensation philosophy, policies and practices as disclosed in the Proxy Statement each year.

While this vote is advisory in nature and therefore will not bind us to adopt any particular frequency, our Board of Trustees intends to carefully consider the shareholder vote resulting from the proposal and to continue to evaluate the options for how frequently we hold Say-On-Pay votes.

Vote Required and Recommendation

Shareholders are not voting to approve or disapprove the recommendation of our Board of Trustees that the non-binding advisory vote to approve the compensation of our named executive officers be held every year. The option of one year, two years or three years that receives the highest number of votes cast by shareholders will be the frequency for the advisory vote on executive compensation that has been selected (on a non-binding advisory basis) by the shareholders. For purposes of this proposal, abstentions and other shares not voted (whether by broker non-vote or otherwise) will not be counted as votes cast and will have no effect on the result of the vote.

OUR BOARD OF TRUSTEES UNANIMOUSLY RECOMMENDS A VOTE FOR THE 1 YEAR ALTERNATIVE SET OUT IN THE PROXY CARD.

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CORPORATE GOVERNANCE AND BOARD MATTERS

Role of the Board of Trustees

Our Board of Trustees acts as the steward of the Company for the benefit of all of our shareholders. Our trustees exercise their business judgment in the best interests of the Company and its shareholders consistent with their legal duties. Our trustees also bring to the Board a wealth of business experience and a track record of excellent business judgment in various situations relevant to the Company's operations. As further discussed below, our Board also prioritizes shareholder engagement and believes that hearing and listening to shareholder perspectives firsthand is valuable not only for management but also for trustees of the Board.

Our Board is committed to ensuring that our overall business strategy is designed to create long-term value for the Company's shareholders. The Board maintains an active role in formulating, planning and overseeing the implementation of the Company's strategy. It has a robust strategic planning process during which key elements of our business and financial plans, strategies and near- and long-term initiatives are developed and reviewed. This process culminates with a fulsome review of the Company's overall strategy, opportunities, challenges and capabilities with our management team. In addition to business strategy, the Board reviews the Company's short-term and long-term financial plans, which serve as the basis for the annual operating and capital plans for the upcoming year. The Board evaluates progress made, as well as related challenges and risks, with respect to our strategy and plans throughout the year.

Our Board has been actively engaged in overseeing the execution of the Company's four near-term strategic initiatives for unlocking shareholder value. As mentioned above, these near-term priorities include: (1) realizing corporate synergies from the FelCor merger; (2) optimizing the portfolio through the sale of non-core FelCor hotels and the opportunistic sale of RLJ legacy hotels; (3) improving our cost of capital and deleveraging our balance sheet; and (4) reinvesting strategically in our assets to drive additional market share and future growth through select renovations and brand conversions. Our Board's valuable insight and guidance with management on the execution of these strategic initiatives has facilitated the Company's successful sale of two non-core assets—the Fairmont Copley Plaza and the Sheraton Philadelphia—at significantly accretive valuations. The Board and management also facilitated the Company's negotiation of loan amendments to improve the Company's maturity profile, feature new favorable pricing, strengthen the balance sheet and reduce the Company's cost of capital. The Board will continue to oversee and support actions to enhance value for all shareholders and be deeply engaged in the Company's strategic direction and future.

Corporate Governance Profile

Our corporate governance is structured in a manner that our Board of Trustees believes aligns our interests with those of our shareholders. Notable features of our corporate governance structure include the following:

- our Board of Trustees is actively involved in the oversight of strategic and risk matters, evaluates its own practices and composition, prioritizes shareholder engagement and takes actions to strengthen the Company;

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- our Board of Trustees has a Lead Independent Trustee and is not staggered, with each of our trustees subject to re-election annually;
- our Board of Trustees currently has nine trustees, a majority (seven) of whom our Board of Trustees affirmatively has determined, after broadly considering all relevant facts and circumstances, to be independent under the listing standards of the NYSE and under applicable rules of the SEC;
- we have adopted a majority voting standard for the election of trustees in uncontested elections;
- we have adopted amendments to our Declaration of Trust and bylaws to allow shareholders to amend our bylaws by a majority vote of the outstanding shares entitled to be cast on the matter;

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- we have opted out of all of the provisions of Title 3, Subtitle 6 (the Business Combination Act) of the Maryland General Corporation Law (the MGCL), Title 3, Subtitle 7 of the MGCL (the Control Shares Acquisition Act) and Title 3, Subtitle 8 of the MGCL (the Unsolicited Takeover Act) and we may not opt back in to any of these provisions without shareholder approval by a majority of votes cast on the matter; and

- we do not have a shareholders rights plan.

Although we have opted out of the Unsolicited Takeover Act, we note that, pursuant to provisions in our Declaration of Trust and bylaws unrelated to the Unsolicited Takeover Act, we currently (1) require, unless called by the Executive Chairman or Chairman of the Board of Trustees, Chief Executive Officer, President or a majority of our trustees, the written request of shareholders entitled to cast not less than a majority of the votes entitled to be cast at a meeting to call a special meeting, and (2) provide that trustees may only be removed for cause and then only by the affirmative vote of holders of at least two-thirds of the votes entitled to be cast in the election of trustees. In addition, provisions in our Declaration of Trust and bylaws provide that the number of trustees may be determined by our Board of Trustees and that our trustees may fill vacancies on our Board of Trustees and, therefore, pursuant to provisions in the MGCL, shareholders do not have the authority to determine the number of trustees on our Board of Trustees or to fill vacancies on the Board of Trustees other than vacancies resulting from the removal of a trustee. By opting out of the Unsolicited Takeover Act and requiring shareholder approval to opt back in, we are prohibited from utilizing the anti-takeover provisions of the Unsolicited Takeover Act, without first receiving the approval of a majority of shareholders casting votes on the matter.

Corporate Governance Guidelines

Our Board of Trustees has adopted Corporate Governance Guidelines, which set forth a flexible framework within which the Board, assisted by its committees, directs the affairs of the Company. The Corporate Governance Guidelines reflect the Board's commitment to monitoring the effectiveness of decision-making at the Board and management level and ensuring adherence to good corporate governance principles, all with a goal of enhancing shareholder value over the long term. The Corporate Governance Guidelines address, among other things:

- the responsibilities and qualifications of trustees, including trustee independence;
- the responsibilities, composition and functioning of Board committees;
- the appointment and role of the lead trustee;
- principles of trustee compensation; and

- review of management succession.

Our Corporate Governance guidelines are subject to periodic review by the Nominating and Corporate Governance Committee.

Code of Business Conduct and Ethics

Our Board of Trustees has adopted and maintains a Code of Business Conduct and Ethics that applies to our officers (including our President and Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, and Chief Accounting Officer), trustees and employees. Among other matters, our Code of Business Conduct and Ethics is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the honest and ethical handling of actual or potential conflicts of interest between personal and professional relationships;
- compliance with applicable governmental laws, rules and regulations;

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- full, fair, accurate, timely and understandable disclosure in the reports we file with or submit to the SEC and in other public communications;
- fair dealing with our customers, suppliers, consultants, competitors, employees and other persons with whom we interact;
- prompt internal reporting of violations of the Code of Business Conduct and Ethics to appropriate persons; and
- accountability for adherence to the Code of Business Conduct and Ethics.

Any waiver of, or amendments to, the Code of Business Conduct and Ethics that apply to our executive officers or trustees may be made only by the Nominating and Corporate Governance Committee or another committee of the Board of Trustees comprised solely of independent trustees or a majority of our independent trustees. Any waivers will be disclosed promptly. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K relating to amendments to or waivers from any provision of the Code of Business Conduct and Ethics applicable to our President and Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, and Chief Accounting Officer by posting such information on our website at www.rljlodgingtrust.com, under the section, Investor Relations Corporate Governance.

Availability of Corporate Governance Materials

Shareholders may view our corporate governance materials, including the charters of our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, our Corporate Governance Guidelines and our Code of Business Conduct and Ethics, on our website at www.rljlodgingtrust.com, and these documents are available in print to any shareholder who sends a written request to such effect to Investor Relations, RLJ Lodging Trust, 3 Bethesda Metro Center, Suite 1000, Bethesda, MD 20814. Information at or connected to our website is not and should not be considered a part of this Proxy Statement.

Independence of Trustees

NYSE listing standards require NYSE-listed companies to have a majority of independent board members and a nominating/corporate governance committee, compensation committee and audit committee, each comprised solely of independent trustees. Under the NYSE listing standards, no trustee of a company qualifies as independent unless the Board of Trustees of the company affirmatively determines that the trustee has no material relationship with the company (either directly or as a partner, shareholder or officer of an organization that has a relationship with such company).

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The Board currently has nine trustees, a majority (seven) of whom our Board of Trustees affirmatively has determined, after broadly considering all relevant facts and circumstances, to be independent under the listing standards of the NYSE and under applicable rules of the SEC. The Board affirmatively has determined that each of the following trustees is independent under these standards: Evan Bayh, Arthur Collins, Nathaniel A. Davis, Patricia L. Gibson, Robert M. La Forgia, Robert J. McCarthy and Glenda G. McNeal. Robert L. Johnson and Leslie D. Hale are not independent as they are executive officers of the Company.

Board Leadership Structure

Separate Chairman and Chief Executive Officer Positions

Since the formation of our Company, the roles of Executive Chairman and Chief Executive Officer have been held by different individuals; currently Robert L. Johnson serves as Executive Chairman and Ross H Bierkan serves as Chief Executive Officer. Mr. Johnson and Mr. Bierkan both are considered executive officers of the Company. The separation of the roles of Chairman and Chief Executive Officer allows Messrs. Johnson and Bierkan to have leadership roles on the executive management team, which our Board of Trustees believes is important in light of their respective roles with our predecessor entities, their knowledge of the Company and their extensive

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experience in the lodging industry. Our Board of Trustees continues to believe that our current leadership structure, including separate positions of Executive Chairman and Chief Executive Officer, provides an effective leadership model for the Company and the benefit of the distinct abilities and experience of both individuals. The Board of Trustees also believes having an Executive Chairman is useful as it ensures that Board leadership retains a close working relationship with management.

If Leslie D. Hale is elected to the Board of Trustees at the 2018 Annual Meeting, the roles of Executive Chairman and Chief Executive Officer will continue to be held by different individuals following her transition to the roles of President and Chief Executive Officer of the Company on August 22, 2018.

Lead Trustee

Our Board of Trustees believes that its governance structure ensures a strong, independent Board even though the Board does not have an independent Chairman. To strengthen the role of our independent trustees and encourage independent Board leadership, the Board of Trustees also has established the position of lead trustee, which currently is held by Nathaniel A. Davis. In accordance with our Corporate Governance Guidelines, the responsibilities of the lead trustee include, among others:

- serving as liaison between (i) management, including the President and Chief Executive Officer, (ii) our other independent trustees and (iii) interested third parties and the Board of Trustees;

- presiding at executive sessions of the independent trustees;

- serving as the focal point of communication to the Board of Trustees regarding management plans and initiatives;

- ensuring that the line between Board of Trustees oversight and management operations is respected;

- providing the medium for informal dialogue with and between independent trustees, allowing for free and open communication within that group; and

- serving as the communication conduit for third parties who wish to communicate with the Board of Trustees.

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Our lead trustee will be selected on an annual basis by a majority of independent trustees then serving on the Board.

Board Qualifications, Attributes, Skills and Background

Trustee Selection Process

Our Corporate Governance Guidelines set forth minimum standards to be used in considering potential trustee candidates to further the Company's goal of ensuring that our Board of Trustees consists of a diversified group of qualified individuals who function effectively as a group and will drive shareholder value. Pursuant to our Corporate Governance Guidelines, candidates for trustee must possess, at a minimum:

- high integrity;
- an ability to exercise sound judgment;
- an ability to make independent analytical inquiries;
- a willingness and ability to devote adequate time and resources to diligently perform Board duties;
- appropriate and relevant business experience and acumen;

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- an ability to add a diverse set of skills and experiences to those already on the Board; and
- a reputation, both personal and professional, consistent with the image and reputation of the Company.

In addition to the aforementioned minimum qualifications, the Nominating and Corporate Governance Committee also has approved a written policy regarding qualification and nomination of trustee candidates. Among other things, the policy sets forth certain additional qualities and skills that, while not a prerequisite for nomination, should be considered by the Nominating and Corporate Governance Committee when evaluating a particular trustee candidate. These additional qualities and skills include, among others, the following:

- whether the person possesses specific industry knowledge, expertise or contacts, including in the commercial real estate industry, and familiarity with general issues affecting the Company's business;
- whether the person's nomination and election would enable the Board of Trustees to have a member that qualifies as an audit committee financial expert as such term is defined by the SEC;
- whether the person would qualify as an independent trustee under the NYSE's listing standards and our Corporate Governance Guidelines;
- the importance of continuity of the existing composition of the Board of Trustees; and
- the importance of a diversified Board membership, in terms of both the individuals involved and their various experiences and areas of expertise.

The following table highlights some of the deep, diverse mix of skills, qualifications and experience that support value creation and which the Board considered in its selection of each nominee for election to the Board of Trustees. A particular nominee may possess additional skills, qualifications and experience even if not expressly indicated below.

* Reflects composition of the Board of Trustees if all of the Board's recommended nominees are elected to the Board at the 2018 Annual Meeting.

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The Nominating and Corporate Governance Committee will seek to identify trustee candidates based on input provided by a number of sources, including (a) other members of the Nominating and Corporate Governance Committee, (b) other members of the Board of Trustees and (c) shareholders of the Company. The Nominating and Corporate Governance Committee also has the authority to consult with or retain advisors or search firms to assist in the identification of qualified trustee candidates; however, we do not currently employ a search firm, or pay a fee to any other third party, to locate qualified trustee candidates.

As part of the candidate identification process, the Nominating and Corporate Governance Committee will evaluate the skills, expertise and diversity possessed by the current Board of Trustees, and whether there are additional skills, expertise or diversity that should be added to complement the composition of the existing Board of Trustees. The Nominating and Corporate Governance Committee also will take into account whether existing trustees have indicated a willingness to continue to serve as trustees if re-nominated. Once trustee candidates have been identified, the Nominating and Corporate Governance Committee will then evaluate each candidate in light of his or her qualifications and credentials, and any additional factors that the Nominating and Corporate Governance Committee deems necessary or appropriate. Existing trustees who are being considered for re-nomination will be re-evaluated as part of the Nominating and Corporate Governance Committee's process of recommending trustee candidates. All candidates submitted by shareholders will be evaluated in the same manner as all other trustee candidates, provided that the advance notice and other requirements set forth in our bylaws have been followed.

After completing the identification and evaluation process described above, the Nominating and Corporate Governance Committee will recommend to the Board of Trustees the nomination of a number of candidates equal to the number of trustee vacancies that will exist at the annual meeting of shareholders. The Board of Trustees will then select the Board's trustee nominees for shareholders to consider and vote upon at the shareholders' meeting.

Board Refreshment

Our Board believes that a fully engaged Board of Trustees is a strategic asset of the Company, and that knowledgeable and fresh viewpoints and perspectives are important for informed decision-making. The Board also believes that appropriate tenure can facilitate trustees developing greater institutional knowledge and deeper insight into the Company's operations across a variety of economic and competitive environments.

Even before Board vacancies arise, the Board periodically evaluates whether it collectively has the right mix of skills, experience, attributes and diverse viewpoints necessary for it to drive shareholder value. The results of this evaluation are used to help inform the desirable skills set for potential Board nominees and to screen trustee candidates.

At the same time, as part of planning for Board refreshment and trustee succession, the Nominating and Corporate Governance Committee's practice has been to periodically consider potential trustee candidates. As a result of this ongoing review, in the last two years alone, the Board has appointed three new trustees.

With the Board's recommended slate of nine nominees, including four new trustees that would have joined the Board since 2016, the Board believes that it has an appropriate balanced board and will continue to consider opportunities to strengthen the Board's composition over time. As a group, the average tenure of the nominees for election to the Board of Trustees is approximately four years.

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* Reflects composition of the Board of Trustees if all of the Board's recommended nominees are elected to the Board at the 2018 Annual Meeting.

Board Diversity

As mentioned above, our Corporate Governance guidelines list the various characteristics that the Nominating and Corporate Governance Committee should consider in reviewing candidates for the Board. In addition to relevant business experience, qualifications, attributes, skills and willingness to devote sufficient time to the Board and its committees, our Corporate Governance Guidelines enumerate personal characteristics that should be considered, including reputation, high integrity, ability to exercise sound judgment and an adherence to high ethical standards.

In order to ensure that the Board benefits from diverse perspectives, our Board and Nominating and Corporate Governance Committee seek qualified nominees from a variety of backgrounds, including candidates of age, gender and ethnic diversity. To that end, 66% of the Company's trustee nominees contribute to gender/ethnic diversity. Our board's diversity is set forth below.

* Reflects composition of the Board of Trustees if all of the Board's recommended nominees are elected to the Board at the 2018 Annual Meeting.

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Shareholder Engagement

Our Board of Trustees is committed to being a responsible and responsive steward of shareholder capital, deeply engaged in the Company's strategic direction and performance. To that end, building and maintaining long-term relationships with our shareholders is a core goal of the Company, and there is no higher priority than earning and keeping the trust of our shareholders as we build value for the long-term. Additionally, both management and the Board believe that engaging with our shareholders is a year-round priority, not simply a box to check as we near our annual meeting. Furthermore, both management and the Board are committed to both proactive and reactive engagement; and we are determined to solicit feedback from our shareholders while also listening to any suggestions they might have to strengthen the long-term prospects of the Company. Thus, in addition to the valuable shareholder discussions and enhanced disclosures made by the Company in the Spring and Summer of 2017 in connection with securing shareholder approval for the FelCor merger, in the fall and winter of 2017 into 2018, led by the Board and management, the Company reached out and offered meetings to shareholders representing an aggregate of roughly 70% of our outstanding shares. In doing so, we hoped to update our shareholders on our long-term strategy of value creation while also hearing any feedback they might offer the company.

As a result of this outreach, in November and December of 2017, the Company met, either telephonically or in-person with shareholders representing an aggregate of more than 50% of our outstanding shares, and we continue to engage with our additional shareholders. Led by our lead independent trustee and other independent members of the Board as schedules permitted, members of the Board participated in many of these meetings. Additionally, at each meeting where trustees were present, they offered to conduct an executive session where shareholders could, if they wish, speak with members of the Board without management present. These and other meetings have proved invaluable in promoting two-way dialogue with our shareholders regarding the Company's strategic vision for value creation, the opportunities presented by the recent completion of the FelCor merger, confirming the value of our shareholder-friendly governance structures and potential enhancements to our board composition and governance, our approach to sustainability and environmental matters, and the investor expectations, business actions and opportunities before the Company to be responsive to shareholder feedback. The Board and management will continue this dialogue with our shareholders throughout the year and beyond.

Succession Planning

The Board has long taken succession planning seriously and views ensuring thoughtful, seamless and effective transitions of leadership to be a primary responsibility of the Board. In April 2018, the Board announced that President and Chief Executive Officer Ross H. Bierkan will retire from the Company, effective at the end of the term of his existing employment agreement on August 22, 2018, and that, in alignment with the Board's executive succession planning, the Board of Trustees has named Leslie D. Hale as President and Chief Executive Officer, effective August 22, 2018.

Corporate Responsibility, Environmental and Sustainability Matters

We have long recognized the growing interest of our investors, associates and business partners in environmental, social and governance issues and principles of responsible investing. As such, the Company has a long-standing commitment to our shareholders and communities to operate in an environmentally and socially responsible manner.

Environmental Oversight

We are an industry leader in ensuring strong environmental oversight and fostering new sustainability initiatives. Our efforts include implementing numerous programs to reduce energy and water consumption as well as upgrading various building systems to balance comfort with energy savings. Furthermore, we have continued installing energy-efficient lighting throughout our property portfolio and continue to study the feasibility of installing LED lighting throughout our hotels.

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Corporate Citizenship

The Company takes seriously its responsibility to strengthen the communities in which we operate. Whether through numerous programs designed to benefit the underserved children of the Washington D.C. area or through our corporate sponsorship of the Montgomery County, Maryland Habitat for Humanity, we are always focused on adding real value to local communities.

Additional Information

The Company maintains an updated website devoted to the Company's ongoing Environmental, Corporate Social Responsibility and Governance Initiatives. Shareholders may access this page at: <http://www.rljlodgingtrust.com/jobpdfs/EnvirCorpSocialResGovPolicy.pdf>.

Board Oversight of Risk Management

One of our Board's most important roles is to oversee various risks that we may face from time to time. While the full Board of Trustees has primary responsibility for risk oversight, it utilizes its committees, as appropriate, to monitor and address the risks that may be within the scope of a particular committee's expertise or charter. Our Board of Trustees uses its committees to assist in its risk oversight function as follows:

- ***Audit Committee*** the Audit Committee's responsibilities include, among others, oversight relating to the integrity of our financial statements and financial reporting process; compliance with financial, legal and regulatory requirements; the performance of our internal audit function; and our overall risk profile;
- ***Compensation Committee*** the Compensation Committee's responsibilities include, among others, oversight of risks related to our compensation practices and plans to ensure that such practices and plans (i) are designed with an appropriate balance of risk and reward in relation to our overall business strategy and (ii) do not encourage excessive or unnecessary risk-taking behavior; and
- ***Nominating and Corporate Governance Committee*** the Nominating and Corporate Governance Committee's responsibilities include, among others, oversight of the general operations of the Board; the Company's compliance with our Corporate Governance Guidelines and applicable laws and regulations, including applicable rules of the NYSE; and corporate governance-related risk.

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The Board believes that the composition of its committees, and the distribution of the particular expertise of each committee's members, makes this an appropriate structure to effectively monitor the risks discussed above.

An important feature of the Board's risk oversight function is to receive periodic updates from its committees, as appropriate. In addition to getting direct information from its committees, the Board receives updates directly from members of management. In particular, due to their executive management positions, Messrs. Johnson and Bierkan frequently communicate with other members of our management and periodically update the Board on the important aspects of the Company's day-to-day operations. The Board also receives periodic updates from members of senior management regarding financial risks, legal and regulatory developments, and policies and mitigation plans intended to address the related financial and legal risks.

Board and Committee Meetings

During the year ended December 31, 2017, the Board of Trustees met 17 times, including telephonic meetings. Each trustee attended at least 75% of Board and applicable committee meetings on which he or she served during his or her period of service. Trustees are expected to attend, in person or by telephone, all Board meetings and meetings of committees on which they serve. In addition, pursuant to our Corporate Governance Guidelines, trustees are expected to attend the Company's annual meetings of shareholders. All trustees attended the 2017 annual meeting of shareholders. Meeting attendance by all trustees serving during 2017 was 98%.

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Board Committees

The Board of Trustees has a standing Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. All members of the committees described below are independent of the Company as that term is defined in the NYSE's listing standards.

The table below provides membership information for each of the Board committees as of the date of this Proxy Statement:

Trustee	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Evan Bayh		X	X (Chair)
Arthur Collins		X	X
Nathaniel A. Davis		X (Chair)	X
Patricia L. Gibson	X		X
Robert M. La Forgia*	X (Chair)		X
Robert J. McCarthy			X
Glenda G. McNeal	X		X

* Audit committee financial expert

Audit Committee

Our Audit Committee is comprised of Mr. La Forgia and Mses. Gibson and McNeal, with Mr. La Forgia serving as its chairperson. The principal functions of our Audit Committee include oversight related to:

- our accounting and financial reporting processes;
- the integrity of our consolidated financial statements and financial reporting process;
- our systems of disclosure controls and procedures and internal control over financial reporting;
- our compliance with financial, legal and regulatory requirements;

- the review of all related party transactions in accordance with our related party transactions policy;
- the evaluation of the qualifications, independence and performance of our independent registered public accounting firm;
- the performance of our internal audit function; and
- our overall risk profile.

Our Audit Committee is also responsible for engaging an independent registered public accounting firm, reviewing with the independent registered public accounting firm the plans and results of the audit engagement, approving professional services provided by the independent registered public accounting firm, including all audit and non-audit services, reviewing the independence of the independent registered public accounting firm, considering the range of audit and non-audit fees and reviewing the adequacy of our internal accounting controls. Our Audit Committee also prepares the audit committee report required by SEC regulations to be included in our annual Proxy Statement.

Our Audit Committee's written charter requires that all members of the committee meet the independence, experience, financial literacy and expertise requirements of the NYSE, the Sarbanes-Oxley Act of 2002, the Securities Exchange Act of 1934, as amended (the Exchange Act), and applicable rules and regulations of the SEC, all as in effect from time to time. Our Board of Trustees has determined that all of the members of the Audit Committee meet the foregoing requirements. Our Board of Trustees also has determined that Mr. La Forgia is an

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audit committee financial expert, as defined by the applicable SEC regulations and NYSE corporate governance listing standards, and each has accounting or related financial management expertise.

During the year ended December 31, 2017, the Audit Committee met six times, including telephonic meetings.

Compensation Committee

Our Compensation Committee is comprised of Messrs. Bayh, Collins and Davis, with Mr. Davis serving as its chairperson. The principal functions of our Compensation Committee include:

- reviewing and approving on an annual basis the corporate goals and objectives relevant to our Chief Executive Officer's compensation, evaluating our Chief Executive Officer's performance in light of such goals and objectives, and determining and approving the remuneration of our Chief Executive Officer based on such evaluation;
- reviewing and approving the compensation of our other executive officers;
- reviewing our executive compensation policies and plans;
- implementing and administering our incentive and equity-based compensation plans;
- determining the number of restricted share awards to be granted to our trustees, executive officers and other employees pursuant to these plans;
- assisting management in complying with our Proxy Statement and annual report disclosure requirements;
- producing a report on executive compensation to be included in our annual Proxy Statement; and

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- reviewing, evaluating and recommending changes, if appropriate, to the remuneration for trustees.

During the year ended December 31, 2017, the Compensation Committee met five times, including telephonic meetings.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee is comprised of Messrs. Bayh, Collins, Davis, La Forgia and McCarthy (who joined the Board and the Committee in February 2018) and Meses. Gibson and McNeal, with Senator Bayh serving as its chairperson. The principal functions of our Nominating and Corporate Governance Committee include:

- identifying and recommending to the Board of Trustees qualified candidates for election as trustees and recommending nominees for election as trustees at the annual meeting of shareholders;
- implementing and monitoring our Corporate Governance Guidelines;
- reviewing and making recommendations on matters involving the general operation of our Board of Trustees, including board size and composition, and committee composition and structure;
- recommending to our Board of Trustees nominees for each committee of our Board of Trustees;
- facilitating the annual assessment of our Board of Trustees performance as a whole and of the individual trustees, as required by applicable law, regulations and the NYSE corporate governance listing standards; and

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- overseeing our Board of Trustees evaluation of management.

During the year ended December 31, 2017, the Nominating and Corporate Governance Committee met four times, including telephonic meetings.

Executive Sessions of Non-Management Trustees

Pursuant to our Corporate Governance Guidelines and the NYSE listing standards, in order to promote open discussion among non-management trustees, our Board of Trustees devotes a portion of each regularly scheduled Board and committee meeting to executive sessions without management participation. In addition, our Corporate Governance Guidelines provide that if the group of non-management trustees includes trustees who are not independent, as defined in the NYSE's listing standards, at least one such executive session convened per year shall include only independent trustees. The lead trustee presides at these sessions.

Communications with the Board

Shareholders and other interested parties may communicate with the Board by sending written correspondence to the Lead Trustee c/o the Corporate Secretary of RLJ Lodging Trust, 3 Bethesda Metro Center, Suite 1000, Bethesda, MD 20814, who will then directly forward such correspondence to the lead trustee. The lead trustee will decide what action should be taken with respect to the communication, including whether such communication should be reported to the full Board of Trustees.

Trustee Compensation

The members of our Board of Trustees who are also our employees do not receive any additional compensation for their services on the Board. During the fiscal year ended December 31, 2017, annual compensation for non-employee trustees was based on the following schedule:

Annual Board Retainer	Annual Share Award	Annual Audit Committee Chair Retainer	Annual Compensation Committee Chair Retainer	Annual Nominating and Corporate Governance Committee Chair Retainer	Annual Lead Trustee Retainer	Annual Audit Committee Member Retainer	Annual Compensation Committee Member Retainer	Annual Nominating and Corporate Governance Committee Member Retainer
\$ 75,000	\$ 90,000	\$ 15,000	\$ 15,000	\$ 10,000	\$ 20,000	\$ 7,500	\$ 7,500	\$ 5,000

Each non-employee trustee receives the annual base retainer for his or her services in cash (or, as discussed below, in common shares) in quarterly installments in conjunction with quarterly meetings of our Board of Trustees. In addition to the annual retainers, each non-employee

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trustee will receive an annual equity award of restricted shares with an aggregate value of \$90,000, which will vest ratably on the first four quarterly anniversaries of the date of grant, subject to the trustee's continued service on our Board of Trustees. We also reimburse each of our trustees for his or her travel expenses incurred in connection with his or her attendance at full Board of Trustees and committee meetings.

Our non-employee trustees may elect to receive all or a portion of any annual cash retainer (including cash retainers for service as a chairperson of any committee or for service as lead trustee) in the form of common shares. During 2017, none of the trustees elected to receive their cash retainer in Company common shares.

In addition, each of our non-employee trustees is entitled to receive an annual allowance of \$3,000 for use at the Company's hotels. If a non-employee trustee does not use the allowance, the allowance is forfeited.

The following table provides information on the compensation of our non-employee trustees for the fiscal year ended December 31, 2017. Messrs. Johnson and Bierkan received no separate compensation for their service as trustees of the Company. For information related to the compensation of Messrs. Johnson and Bierkan, please refer to Compensation of Executive Officers' Summary Compensation Table.

Table of Contents**Trustee Compensation Table**

The table below sets forth the compensation paid to each individual who served as a non-employee member of our Board of Trustees in 2017. Mr. McCarthy did not serve as a trustee in 2017.

Name	Fees Earned or Paid in Cash	Share Awards(1)	All Other Compensation	Total
Evan Bayh	\$ 92,500	\$ 89,997(2)	\$ 6,441(4)	\$ 188,938
Arthur Collins	\$ 87,500	\$ 89,997(3)	\$ 2,280(5)	\$ 179,777
Nathaniel A. Davis	\$ 120,625	\$ 89,997(2)	\$ 4,960(6)	\$ 215,582
Patricia L. Gibson	\$ 28,193*		\$	\$ 28,193
Robert M. La Forgia	\$ 95,000	\$ 89,997(2)	\$ 5,457(7)	\$ 190,454
Glenda G. McNeal	\$ 87,500	\$ 89,997(2)	\$ 3,309(8)	\$ 180,806

* Based on Board membership since August 31, 2017.

(1) With respect to each award, the grant date fair value is equal to the market value of the Company's common shares on the date of the award multiplied by the number of shares awarded.

(2) Represents the aggregate 2017 grant date fair value of 3,949 restricted common shares issued to each of our non-employee trustees for service on the Board. The restricted common shares vest ratably on the first four quarterly anniversaries of the date of grant.

(3) Represents the 2017 grant date fair value of (i) 3,949 restricted shares issued to each of our non-employee trustees for service on the Board (which vest ratably on the first four quarterly anniversaries of the date of grant and (ii) 1,720 shares issued to Mr. Collins retroactively for his service on the Board beginning in November 2016. Since the grant was made to Mr. Collins for prior service, these shares vested immediately on the grant date.

(4) Represents (i) \$3,309.24 in dividends paid on restricted common shares granted to our non-employee trustees and (ii) the \$3,131.59 allowance used by Mr. Bayh to stay at the Company's hotels.

(5) Represents \$2,280.63 in dividends paid on restricted common shares granted to our non-employee trustees.

(6) Represents (i) \$3,309.24 in dividends paid on restricted common shares granted to our non-employee trustees and (ii) the \$1,650.76 allowance used by Mr. Davis to stay at the Company's hotels.

(7) Represents (i) \$3,309.24 in dividends paid on restricted common shares granted to our non-employee trustees and (ii) the \$2,148.16 allowance used by Mr. La Forgia to stay at the Company's hotels.

(8) Represents \$3,309.24 in dividends paid on restricted common shares granted to our non-employee trustees.

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The following table provides certain information regarding unvested share awards outstanding as of the fiscal year ended December 31, 2017 for each of the trustees included in the Trustee Compensation Table set forth above.

Name	Number of Shares That Have Not Vested (#)	Market Value of Shares That Have Not Vested(1) (\$)
Evan Bayh	1,975	\$ 43,390.75
Arthur Collins	1,975	\$ 43,390.75
Nathaniel A. Davis	1,975	\$ 43,390.75
Patricia L. Gibson(2)		
Robert M. La Forgia	1,975	\$ 43,390.75
Glenda G. McNeal	1,975	\$ 43,390.75

(1) Value based on \$21.97 per share, which was the closing price of our common shares on the NYSE on December 29, 2017, the last trading day of 2017.

(2) Ms. Gibson joined the Board on August 31, 2017 and did not receive an award of restricted shares at that time.

Vested Share Awards During 2017

The table below sets forth the number of restricted shares that vested and the value realized upon vesting of such shares for each of the trustees included in the Trustee Compensation Table set forth above.

Name	Number of Shares That Vested During 2017 (#)	Market Value of Shares Realized on Vesting(1) (\$)
Evan Bayh	4,052	\$ 90,810.61
Arthur Collins	3,694	\$ 80,408.44
Nathaniel A. Davis	4,052	\$ 90,810.61
Patricia L. Gibson (2)		
Robert M. La Forgia	4,052	\$ 90,810.61
Glenda G. McNeal	4,052	\$ 90,810.61

(1) Represents the value of vested shares calculated by multiplying the number of vested shares by the prior day's closing price of our common shares on the NYSE on the vesting date or, if the vesting date occurred on a

day on which the NYSE was closed for trading, the next trading day.

(2) Ms. Gibson joined the Board on August 31, 2017 and did not receive an award of restricted shares at that time.

Company Policies

Share Ownership Guidelines

We believe that equity ownership by our trustees and officers can help align their interests with our shareholders' interests. To that end, we have adopted formal share ownership guidelines applicable to all of our trustees and officers. On an annual basis, we report ownership status to our Compensation Committee and failure to satisfy the ownership levels, or show sustained progress towards meeting them, may result in payment to both trustees and officers of future compensation in the form of equity rather than cash.

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With respect to our officers, the guidelines require ownership of our shares, within five years of becoming an executive officer or from promotion to a new executive officer position, with a value equal to the following multiple of his or her base salary:

Executive Officer Title	Multiple
Chief Executive Officer	5x
Executive Chairman	5x
Chief Investment Officer and Chief Financial Officer	3x
Senior Vice Presidents	3x
Chief Accounting Officer and Vice Presidents	1x

Once these requirements have been met, each executive is required to hold shares at this level as long as they remain in the position. With respect to our trustees, our share ownership guidelines require share ownership by our trustees of three times the annual cash retainer. Trustees must comply with the ownership requirement within five years of becoming a member of the Board and are required to hold shares at this level while serving as a trustee. **With the exception of Arthur Collins, who was elected to the Board in November 2016, and Robert McCarthy, who was elected to the Board in February 2018, each of the trustees and named executive officers individual holdings of Company shares exceed the applicable multiple set forth in the share ownership guidelines. For additional information on trustee share ownership, see the table of Principal Shareholders on page 65.**

Clawback Policy

The Company has in place a clawback policy to ensure that executives are not unduly enriched in the event of a financial restatement. If the Company is required to restate its financial results due to material non-compliance with financial reporting requirements that arise from misconduct, any individual (i) who knowingly engaged in misconduct; (ii) was grossly negligent in engaging in misconduct; (iii) knowingly failed to prevent such misconduct; or (iv) was grossly negligent in failing to prevent such misconduct, is required to reimburse the Company for payments received for any award that was earned or accrued in the twelve (12) month period after the incorrect financial report was filed with the SEC. In addition, in the case of any restatement of financial results, the Compensation Committee has the authority to (i) review cash and equity awards paid or awarded to executive officers during the restatement period and, if the award would have been lower based on the restatement, then (ii) to determine if an incremental portion of the award should be reimbursed to the Company by the executive officer.

No Hedging in or Pledging of Company Shares

Our insider trading policy prohibits our trustees and employees, including our named executive officers, from engaging in the following transactions: (i) trading in call or put options involving our securities and other derivative securities; (ii) engaging in short sales of our securities; (iii) holding our securities in a margin account; and (iv) pledging our securities to secure margins or other loans.

Table of Contents**EXECUTIVE OFFICERS**

The following table sets forth information concerning our executive officers. Executive officers are elected annually by our Board of Trustees and serve at the Board's discretion.

Name	Age(1)	Title
Robert L. Johnson	71	Executive Chairman of the Board of Trustees
Ross H. Bierkan	58	President, Chief Executive Officer, Chief Investment Officer and Trustee
Leslie D. Hale	45	Chief Operating Officer, Chief Financial Officer and Executive Vice President (incoming President and Chief Executive Officer, effective August 2018)

(1) Age as of March 28, 2018.

Set forth below are descriptions of the backgrounds of each of our executive officers, other than Robert L. Johnson and Leslie D. Hale, whose backgrounds and positions are described above under Proposals to be Voted On Proposal 1: Election Of Trustees.

Ross H. Bierkan, who will be retiring from the Company on August 22, 2018, has served as the President, Chief Executive Officer and Chief Investment Officer of the Company and a member of our Board of Trustees since May 2016, following the resignation of the Company's prior President, Chief Executive Officer and trustee. Until his promotion, Mr. Bierkan had served as the Chief Investment Officer and Executive Vice President of the Company since the Company's formation in 2011. Prior to that, he was a principal and executive vice president of RLJ Development from 2000 until our initial public offering in 2011. In this capacity he was responsible for overseeing approximately \$5.0 billion of real estate acquisitions. Previously, Mr. Bierkan was an original member of The Plasencia Group, a hospitality transaction and consulting group, and from 1993 to 2000 served as its vice president. Prior to joining The Plasencia Group, Mr. Bierkan worked with Grubb and Ellis Real Estate, a commercial real estate brokerage firm. From 1982 to 1988, he held various operational and sales management positions for Guest Quarters Hotels (now the Doubletree Guest Suites). Mr. Bierkan also serves on the owner advisory council for Hyatt House Hotels and as President of the advisory council for Springhill Suites by Marriott. He is on the board of directors of the American Hotel & Lodging Association and is a member of the ULI Hotel Development Council. Mr. Bierkan received his Bachelor of Arts degree from Duke University.

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COMPENSATION DISCUSSION AND ANALYSIS

Introduction

The Compensation Committee of our Board of Trustees is responsible for establishing the underlying policies and principles of our compensation program. This Compensation Discussion and Analysis describes our executive compensation program for our named executive officers (the NEOs) and describes how and why the Compensation Committee made its 2017 compensation decisions. Our NEOs for 2017 are as follows:

- Robert L. Johnson Executive Chairman;
- Ross H. Bierkan President, Chief Executive Officer and Chief Investment Officer; and
- Leslie D. Hale Chief Operating Officer, Chief Financial Officer and Executive Vice President.

Executive Summary

We believe that a primary goal of executive compensation is to align the interests of our NEOs with those of our shareholders in a way that encourages prudent decision making and allows us to attract and retain the best executive talent. The Compensation Committee has adopted a compensation program designed to link financial and strategic results to executive rewards, reward favorable shareholder returns and enhance our competitive position within our segment of the hospitality industry. The Compensation Committee is committed to protecting the interests of shareholders by using fair and objective evaluation processes for our executives, prioritizing the creation of short-term and long-term shareholder value. The majority of each executive's compensation is tied directly to the achievement of pre-established individual and corporate goals, which we believe helps to ensure that the financial interests of our senior executives are aligned with those of our shareholders.

2017 Business Highlights

2017 was a transformational year for the Company. We completed a \$1.4 billion strategic merger with FelCor, which created a dominant platform in the most profitable hotel segments with imbedded growth and value creation opportunities. Key highlights of the transaction include:

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- Expected to be immediately accretive to Adjusted FFO per share, RevPAR and EBITDA per hotel;
- Created the third largest pure-play lodging REIT, with a more efficient cost structure that is expected to yield approximately \$22.0 million of annualized general and administrative cost savings;
- Acquired an ownership interest in 37 hotel properties that are located in major urban and resort markets that significantly enhanced the Company's presence in target markets such as California and Boston, while also reducing overall market specific earnings volatility and risk; and
- Advanced our premium brand strategy and creates well-balanced diversification across Marriott, Hilton, Hyatt and Wyndham brands.

Beyond the successful completion of the FelCor merger, we also remained committed to executing on our fundamental guiding principles, including:

- ***Driving Operational Excellence*** 2017 results were marked by an excellent fourth quarter that exceeded expectations and demonstrated the value creation potential from the FelCor merger with 2017 results as follows:
- Pro forma Hotel EBITDA Margin of 33.1% for the year, which reflects one of the leading hotel EBITDA margins in the industry;

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- Pro forma RevPAR during the fourth quarter increased by 4.0% over the comparable period in 2016 and for the full year decreased by 0.5%; and
- Pro forma Consolidated Hotel EBITDA of \$143.0 million in the fourth quarter, representing a 0.8% increase over the comparable period in 2016 and for the full year \$605.9 million representing a 4.1% decrease.
- ***Prudently Allocating Capital*** We completed the disposition of the Fairmont Copley Plaza in Boston, Massachusetts for \$170.0 million in December 2017 consistent with our goal to enhance our overall portfolio quality through strategic dispositions. We declared cash dividends of \$0.975 on each Series A Preferred Share for the year and cash dividends of \$1.32 per common share for the year (consistent with 2016).
- ***Disciplined Balance Sheet Management*** Our liquidity remains strong with 129 unencumbered hotels, a \$600 million revolver and an interest coverage of more than 4.0x.

Five-Year Total Shareholder Return from 12/31/12 through 12/31/17

	Total Shareholder Return		
	1 Year	3 Year	5 Year
RLJ Lodging Trust	-6.04%	-23.44%	42.37%
Morgan Stanley REIT Index	5.07%	16.98%	56.29%
Peer Group Median(1)	10.18%	11.94%	59.58%

(1) Represents our Executive Compensation Peer Group detailed on page 43 of this Proxy Statement.

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Executive Compensation Program Highlights

Our focus is and continues to be to maintain a strong link between our NEOs compensation and the Company's performance. Highlights of our overall executive compensation program are outlined below:

- ***Pay-for-Performance Alignment*** We maintain strong pay-for-performance alignment with more than 80% of our Chief Executive Officer's 2017 approved compensation variable and subject to the Company's performance.
- ***Formulaic Annual Cash Bonuses with Pre-Determined Goals*** 100% of our Executive Chairman's and Chief Executive Officer's annual cash bonuses are formulaic and are based on the achievement of pre-established corporate performance goals (with only 10% based on individual performance for our Chief Operating Officer/Chief Financial Officer). Our cash bonus program employs challenging hurdles and may result in significant fluctuations in payouts aligned with our financial and operating success each year.
- ***Equity Awards Aligned with Our Shareholders*** The annual grant size is determined, in part, based on a review of the execution of the Company's strategic business plan and the Company's TSR performance. Approximately 75% of our Chief Executive Officer's and 25% of our other NEOs' equity award values are granted in performance-based stock that vest at the end of three-years subject to the Company achieving rigorous total shareholder return (TSR) hurdles, including relative TSR equal to the 50th to 80th percentile of hotel REIT peers and absolute TSR of 21% to 36%.

Year-End 2017 Compensation Decisions

The Compensation Committee, in consultation with its independent compensation consultant, FTI Consulting, Inc. (the Compensation Consultant) took into account (i) the successful closing of the FelCor merger, (ii) the Company's operational performance, including the achievement of corporate performance measures in accordance with the cash bonus program, (iii) total return on both an absolute and relative basis and (iv) the results of a comprehensive analysis of market-based compensation data, industry trends and best practices. Based on this assessment, our Compensation Committee made the following key compensation decisions in February 2018, which we believe appropriately balance all of the foregoing considerations:

Pay Element	Key Decisions	Rationale
Base Salary	<ul style="list-style-type: none"> • 2018 base salaries for our NEOs were unchanged from 2017 levels. 	<p>Our NEOs received salary adjustments in 2017 at the time new employment agreements were executed and in connection with each individual's significant increase in responsibilities. The Committee believes that these amounts are still appropriate for 2018</p>

Annual Cash Bonus	<ul style="list-style-type: none">• Approved 2017 cash bonuses in accordance with the bonus formula and the achievement of the established corporate performance hurdles.• Ms. Hale's bonus includes a 10% individual performance component, which was approved at target.• Each NEO's 2018 cash bonus opportunity was unchanged from 2017.	and no increases were necessary. Our cash bonus is fully contingent upon the achievement of pre-determined corporate performance criteria (except for Ms. Hale's bonus which has a 10% individual performance component). The corporate performance measures were achieved at between 103% and 104% of target. A target payout for Ms. Hale's individual performance component was viewed as appropriate given the significant time and effort she provided in connection with the consummation of the FelCor merger.
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Annual Equity Awards	<ul style="list-style-type: none"> Significant reductions in the value of the time-based restricted share awards were approved equal to a 19% decrease for Mr. Johnson, a 77% decrease for Mr. Bierkan and a 6% decrease for Ms. Hale as compared to the prior year awards. 	Based on sensitivity to the Company's stock price performance, the Compensation Committee believed that meaningful reductions in equity values were appropriate, especially for the Chief Executive Officer, whose compensation should be more directly tied to total return results.
Multi Year Performance Equity Awards	<ul style="list-style-type: none"> New 2018 Multi Year Performance Equity Awards were granted to our NEOs at target values at lower amounts than those approved in 2017, but for the CEO reflected a less substantial reduction as compared to his time-based restricted share awards. 	<p>For Mr. Johnson and Ms. Hale, equity awards were allocated 50/50 between time-based stock awards and the target value of the performance units.</p> <p>Given that performance units are at-risk and contingent upon rigorous total return performance, the Compensation Committee believe that a less material reduction in value for these awards was appropriate for Mr. Bierkan, who saw a 77% decrease in his time-based share award.</p>

2017 Compensation Snapshot - Approved Values

Below is a snapshot of the annual compensation decisions approved for 2017 performance results as compared to year-end 2016 (amounts vary from the summary compensation table which illustrates equity awards in the year of grant and not for the performance year to which those grants relate):

Name and Principal Position	Performance Year	Salary	Annual Cash Bonus	Annual Time-Based Equity Awards(1)(2)	Target Value of the Multi-Year Performance Equity Awards(1)(3)	Total Approved Value(4)
Robert L. Johnson						
Executive Chairman	2017	\$ 500,000	\$ 649,307	\$ 650,000	\$ 650,000	\$ 2,449,307
	2016	\$ 411,630	\$ 377,599	\$ 800,000	\$ 833,333	\$ 2,422,562
	% change	21%	72%	(19)%	(22)%	1%
Ross H. Bierkan						
President, Chief Executive Officer and Chief Investment Officer	2017	\$ 700,000	\$ 1,084,030	\$ 360,000	\$ 1,425,000	\$ 3,569,030
lapp (4)		33,134		33,134		
David A. Coulter (4)						
Claire L. Gaudiani (4)		21,636		21,636		
Daniel P. Kearney (4)		25,379		25,379		
Kewsong Lee (4)						
Laurence H. Meyer (4)		8,729		8,729		
David M. Moffett (4)		1,060		1,060		
Debra J. Perry (4)		9,375		9,375		

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John A. Rolls (4)	45,086		45,086
Richard C. Vaughan (4)	4,476		4,476
Richard H. Walker (4)	3,256		3,256
Jeffery W. Yabuki (4)	4,953		4,953
Executive Officers (1)			
Gary C. Dunton	429,595	947,155	1,376,750
C. Edward Chaplin	73,164		73,164
Mitchell I. Sonkin	67,943	18,000	85,943
Clifford D. Corso	68,770	49,672	118,442
Kevin D. Silva	64,562	318,510	383,072
Neil G. Budnick	61,452		61,452
All of the above and other			
Executive Officers as a group	1,797,892	4,333,657	6,131,549

- (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 February 29, 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 4.9% of the shares of common stock outstanding. Each Director and Executive Officer individually owns less than 1% of the shares of common stock outstanding, except for Messrs. Brown and Dunton, who own 2.5% and 1.1%, respectively.
- (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.")

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," 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 2 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;

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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 majority of the votes cast. Abstention from voting on the proposal to re-elect ten incumbent Directors will have no effect on the outcome.

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 the exercise of A Warrants to purchase 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 3 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.⁷ 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.

⁷ Assumes total outstanding shares of 236,199,286, including 64,516 shares pursuant to management investment.

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 3 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

To be approved, this proposal requires the affirmative vote of the holders of a majority of the shares of our common stock present in person or represented by proxy at the shareholder's annual meeting and entitled to vote thereon. Abstention from voting on the proposal will have the same effect as voting against the proposal. 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%

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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 are 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 vote cast by shareholders favoring approval exceeds the vote cast opposing approval. 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 the affirmative vote of a majority of all shares of Common Stock of the Company in person or represented by proxy and entitled to vote at the Annual Meeting of Shareholders. Abstention from voting on the proposal will have the same effect as voting against the proposal. 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 _____, 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 2008 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 _____, 2008 (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 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 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 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 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.

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.

Exercise Price: 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.

- A2 -

[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.

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 Warranholder 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 Warranholder 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 Warranholder 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]

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.
	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.
Exercise Price:	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.

- A2 -

[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 Warranholder 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 Warranholder 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 Warranholder 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]

[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.

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.

Exercise Price: 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 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 Warrantheader 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 Warrantheader 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 Warrantheader 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: _____

[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.

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.

Exercise Price: 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.

- A2 -

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. (EST), 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.

Edgar Filing: RLJ Lodging Trust - Form PREC14A

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. (EST) 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 http://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. (EST) 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

ê Please detach here ê

The Board of Directors Recommends a Vote FOR Items 1-5.

1. Election of directors:	01 Joseph W. Brown	06 Laurence H. Meyer	••	Vote FOR	••	Vote WITHHELD
	02 David A. Coulter	07 David M. Moffett		all nominees		from all nominees
	03 Claire L. Gaudiani	08 John A. Rolls		(except as marked)		
	04 Daniel P. Kearney	09 Richard C. Vaughan				
	05 Kewsong Lee	10 Jeffery W. Yabuki				

(Instructions: To withhold authority to vote for any indicated nominee, write the number(s) of the nominee(s) in the box provided to the right.)

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.

Address Change? Mark Box •• Indicate changes below

Date _____

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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.