MGIC INVESTMENT CORP
Form 4
February 20, 2014

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
JASTROW KENNETH M II

(Last) (First) (Middle)

C/O TEMPLE-INLAND, INC., 1300 S. MO PAC EXPRESSWAY

(Street)

AUSTIN, TX 78746

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
MGIC INVESTMENT CORP [MTG]

3. Date of Earliest Transaction (Month/Day/Year)
02/14/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock								32,698	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Share Units (1)	(2) (3)	02/14/2014		C			36,363.6364	02/01/2014(4)	(5)	Common Stock	36,3

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
JASTROW KENNETH M II C/O TEMPLE-INLAND, INC. 1300 S. MO PAC EXPRESSWAY AUSTIN, TX 78746	X			

Signatures

Dan D. Stilwell, Attorney-in-fact	02/14/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The reporting person participates in the MGIC Investment Corporation Deferred Compensation Plan for Non-Employee Directors under which units corresponding to shares of Common Stock of the Issuer ("Share Units") are awarded to the reporting person.

(2) These Share Units do not have a specified dollar-denominated exercise or conversion price. (Their value is based, on a one-for-one basis, on the price of the Issuer's common stock on the New York Stock Exchange.)

(3) These Share Units are settled in cash, on a specified date, unless a qualified election for later distribution is made by the reporting person.

(4) The converted Share Units were subject to certain restrictions and vested on February 1, 2014 when such restrictions lapsed.

(5) These Share Units do not expire on a fixed date. Under certain circumstances, the Share Units are subject to forfeiture if the reporting person ceases to be a Director of the issuer before the lapse of restrictions on the Share Units.

(6) The number of Share Units beneficially owned by the reporting person includes Share Units owned prior to August 15, 1996, which were and continue to be exempt from Section 16 of the Securities and Exchange Act of 1934. The reporting person disclaims any waiver of such exemption.

Remarks:

This Form 4 is being signed by the reporting person's attorney-in-fact pursuant to a previously filed power of attorney.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ck options or stock appreciation rights ü No evergreen provision

ü No single-trigger change of control

ü No reload equity awards

ü No full value award multiplier

ü Over 90% of all equity awards granted in the past three years were issued to employees other than our executive officers and over 90% were issued to employees with direct revenue-generating and client-facing responsibilities

ü Existing Size Pool

ü Pro-Forma Available Pool

ü Grants to Executives

ü Expensed Cost as % of Operating Metrics

ü Expensed Cost as % of Enterprise Value

GL acknowledged our practice of offsetting dilution from equity compensation with stock buybacks, and our public commitment over the next three years to work to offset the dilutive effect of annual bonus equity awards through our stock repurchase program (with a goal to also offset new hire equity) and to maintain a net burn rate (taking into account the effect of vested Evercore LP partnership units, share repurchase and forfeitures) at or below 1.5%. However, their Net Annual Dilution and Run Rate financial data only appears to take into account forfeitures and fails to take into account share repurchases.

In addition, GL notes that over the last three years, over 90% of all equity awards were granted to employees other than our executive officers and over 90% of all equity awards were granted to employees with direct revenue-generating and client-facing responsibilities. This highlights our philosophy of using equity as part of our normal annual compensation process, where equity represents a portion of an employee s annual bonus award, rather than a supplemental compensation scheme reserved for senior executives. As a result, we have granted less equity to our CEO and NEOs as compared to our GL peers:

	Grants to CEO (2015)	Grants to NEOs (2015)
EVR	**1.60%**	**7.40%**
Peer Median	6.77%	20.76%
Peer Average	9.85%	23.46%

Based on these prior disclosures, it is inconsistent for GL to support all of these provisions and the overall compensation program but not support our use of equity compensation, which is just a vehicle for effecting a portion of our overall compensation program. Our Compensation Committee made a decision early on to use equity compensation as a critical component of our overall compensation program. This structure has served us well, as can be seen by, for example, the continued rise in revenue per Senior Managing Director over the years

2

since the Company had its IPO, which rose to $12.7 million in 2015, higher than other publicly traded independent advisory firms, and our superior results:

Our five-year historical financial performance continues to increase, with CAGRs of 27% for Adjusted Pro Forma Net Revenues, 29% for Adjusted Pro Forma EBITDA, and 35% for Adjusted Pro Forma Net Income[1]

Total Shareholder Return of 91% and 79%, over the past three and five year periods respectively, exceeding that of the S&P 500 Financials Index and those of our most direct public competitors

A total of $334.5 million of capital was returned to stockholders in 2015 through stock repurchases and dividends, beating our own historical records[2]

Once an annual bonus amount is determined, a significant portion of it is delivered in the form of restricted stock units (RSUs) that vest over a four-year period. The amount of each bonus that is cash versus equity is dependent upon the seniority of the individual, with more senior employees having a greater portion of their bonus rewarded in equity. This in turn creates a strong link between the incentives of our employees with those of our stockholder base, and our stockholders have been supportive of our general approach to compensation, as indicated by the consistent support of say-on-pay in the mid-90th percentile. **To vote against the plan amendment would effectively undermine the wishes of the stockholders who have overwhelmingly supported our pay practices. To vote against the plan amendment would not reduce the amount of compensation awarded, but would require us to divert cash currently being deployed to support stock repurchases to support employee compensation.**

II. GL s Flawed Recommendation Stems from the Use of Inapplicable Peer Data in its Analysis

GL s recommendation against Proposal No. 2 was driven primarily by inappropriate peer company inputs. The report refers to their analysis of peer companies and concludes that we fail certain key costs with respect to these peers regardless of the fact that we have historically repurchased shares to offset the dilutive effect of equity awards.

GL s quantitative analysis involved the comparison of our stock compensation expense relative to certain operating financial results, enterprise value, tangible net book value or TBV and headcount to the same relative measures for a peer group which consisted of 22 companies in the diversified financials industry with an average market capitalization of $21 billion. Our market cap is only around $2.35 billion as of the date of this letter.

Unfortunately, GL only disclosed the identity of 15 companies in this peer group and, based on this disclosure alone, it is clear that any conclusions drawn from this peer group are likely to be unsound. The disclosed peer group can be categorized into the following types of businesses:

Diversified Financials:		
Lending / Trading / Investment Management	**Advisory Focus**	**Industrials/Conglomerate**
Bank of America	Greenhill &Co. Inc.	CF Industries Holdings

Canaccord Genuity Group Inc.	Lazard	Leucadia National Corporation
Citigroup Inc.		
Cowen		
FBR & Co.		
GMP Capital		
Goldman Sachs		
JMP Group Inc.		
Morgan Stanley		
Oppenheimer		
Piper Jaffray		

[1] See Annex A to our 2016 Proxy Statement for a reconciliation of these non-GAAP measures to GAAP amounts.

[2] Includes 2.35 million shares repurchased for aggregate consideration of $123.7 million in conjunction with Mizuho s exercise of its warrant to purchase 5.45 million shares of Class A common stock.

While some of these companies include M&A advisory services as part of a broad suite of products and services, for most companies (other than Advisory Focused firms), M&A advisory services is not the primary business. The merger advisory industry is highly competitive and human-capital intensive. These other companies often rely and compete based upon financial capital rather than purely human capital. In addition, the Lending/Trading and Investment Management firms maintain capital structures that employ substantial amounts of leverage to support their principal positions and lending activities. These capital structures dramatically increase enterprise value and TBV, a practice that is at odds with Advisory Focused firms. Finally, many of the Lending/Trading firms maintain large back office staffs focused on the clearance and settlement of securities transactions, maintenance of customer accounts and support of principal trading activities, and these individuals tend to receive lower amounts of or no deferred compensation. In contrast, by design, Advisory Focused firms don t have such personnel. Thus, you should not rely on these measures of stock compensation expense in comparing these fundamentally different businesses.

Even with this wholly inappropriate peer group (a fertilizer company!) we pass two of the five GL costs tests with respect to revenue and enterprise value. In the case of these metrics it is clear to us that the peer group distorts the results, rendering the comparison meaningless. The majority of the Diversified Financial Services firms and the Industrials/Conglomerates all require significant capital to run their business and each have a significant percentage of employees that are not eligible to receive equity compensation. These are not attributes of our business and consequently the standard established is both irrelevant and impossible to achieve. Further undermining the utility of their test, we note that we passed the GL expensed cost test but failed the projected costs test. GL does not provide any transparency to understand why we would have different outcomes.

The table below presents a comparison of the actual three-year average (2013-2015) stock compensation expense for Evercore and our true peers that have been public for some time Greenhill and Lazard against several of the measures used by GL.

	Three-Year Average of Stock Compensation Expense:			
	As a Percentage of Operating Cash Flow	As a Percentage of GAAP Net Revenue	Enterprise Value	Per Employee
Evercore	**36%**	**9%**	**4%**	**$ 75,000**
Lazard	31%	10%	4%	$ 89,000
Greenhill	54%	17%	5%	$ 146,000

III. Our Compensation Practices and our use of Equity have led to Superior Results for our Stockholders

It is important to emphasize that over the last five years our TSR was 79%, compared to 64% for the S&P 500 (Financials) Index and -57% and 33% for GHL and LAZ, respectively, far exceeding that of our peer competition. Our compensation is tied directly to contribution to our business, not seniority or role. Furthermore, annual bonus equity awards are delivered as a component of an employee s annual incentive compensation amount, not as a supplement, and are always based on services already performed and revenue already generated.

Our goal at Evercore is to create the premier global independent investment banking advisory firm delivering superior returns to our stockholders. We have made significant progress toward this goal, but in order to continue delivering superior returns we need to continue to attract, retain and motivate the best talent in the business. Sustaining the compensation strategies that have served us well is fundamental to our continued success in attracting and retaining such talent and to our overall continued progress in driving value for our stockholders.

IV. Conclusion

In closing, we would like to assure you of our commitment to continue to work hard to increase the value of Evercore within the compensation framework set out in the proxy. We have worked, and will continue to work with GL in the hope that they will develop financial measures that accurately reflect our business, enabling their quantitative and qualitative assessments to converge. We thank you for the time you have focused on this matter and your careful consideration of this proposal, and **for all the previously discussed reasons, our Board recommends that you vote FOR Proposal No. 2.**

Yours truly,

Adam B. Frankel