

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the period ended June 30, 2007

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-8993

WHITE MOUNTAINS INSURANCE GROUP, LTD.

(Exact name of registrant as specified in its charter)

Bermuda
(State or other jurisdiction of
incorporation or organization)

94-2708455
(I.R.S. Employer
Identification No.)

**80 South Main Street,
Hanover, New Hampshire**
(Address of principal executive offices)

03755-2053
(Zip Code)

Registrant's telephone number, including area code: **(603) 640-2200**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of August 1, 2007, 10,842,538 common shares with a par value of \$1.00 per share were outstanding (which includes 54,000 restricted common shares that were not vested at such date).

WHITE MOUNTAINS INSURANCE GROUP, LTD.

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PART I. FINANCIAL INFORMATION.

Item 1. Financial Statements

**WHITE MOUNTAINS INSURANCE GROUP, LTD.
CONSOLIDATED BALANCE SHEETS**

(Millions, except share and per share amounts)	June 30, 2007 Unaudited	December 31, 2006
Assets		
Fixed maturity investments, at fair value (amortized cost: \$7,470.1 and \$7,377.0)	\$ 7,524.9	\$ 7,475.3
Common equity securities, at fair value (cost: \$1,160.5 and \$972.0)	1,402.7	1,212.6
Short-term investments, at amortized cost (which approximates fair value)	1,152.9	1,344.9
Other investments (cost: \$478.0 and \$467.1)	558.5	524.8
Convertible fixed maturity investments, at fair value (amortized cost: \$542.8 and \$435.9)	544.7	436.2
Trust account investments, at amortized cost (fair value \$310.9 and \$337.9)	312.0	338.9
Total investments	11,495.7	11,332.7
Cash	172.9	159.0
Reinsurance recoverable on unpaid losses	1,864.3	2,134.5
Reinsurance recoverable on unpaid losses - Berkshire Hathaway Inc.	1,828.9	1,881.2
Reinsurance recoverable on paid losses	57.7	159.4
Insurance and reinsurance premiums receivable	1,007.3	913.6
Securities lending collateral	554.0	649.8
Funds held by ceding companies	366.7	452.8
Investments in unconsolidated affiliates	381.0	335.5
Deferred acquisition costs	351.6	320.3
Deferred tax asset	222.4	276.0
Ceded unearned premiums	130.9	87.9
Accrued investment income	85.8	87.4
Accounts receivable on unsettled investment sales	24.3	8.5
Other assets	640.8	645.1
Total assets	\$ 19,184.3	\$ 19,443.7
Liabilities		
Loss and loss adjustment expense reserves	\$ 8,364.7	\$ 8,777.2
Unearned insurance and reinsurance premiums	1,735.7	1,584.9
Debt	1,183.6	1,106.7
Securities lending payable	554.0	649.8
Deferred tax liability	312.0	311.5
Long-term incentive compensation payable	181.5	285.2

Reserves for structured contracts	87.3	147.1
Funds held under reinsurance treaties	110.4	141.6
Ceded reinsurance payable	125.4	138.4
Accounts payable on unsettled investment purchases	32.0	66.8
Other liabilities	775.6	913.7
Preferred stock subject to mandatory redemption:		
Held by Berkshire Hathaway Inc. (redemption value \$300.0)	259.2	242.3
Held by others (redemption value \$20.0)	—	20.0
Total liabilities	13,721.4	14,385.2
Minority interest - OneBeacon Insurance Group, Ltd.	526.0	490.7
Minority interest - White Mountains Re Group, Ltd. Preference Shares	250.0	—
Minority interest - consolidated limited partnerships	111.6	112.5
Total minority interest	887.6	603.2
Common shareholders' equity		
Common shares at \$1 par value per share - authorized 50,000,000 shares; issued and outstanding 10,842,538 and 10,782,753 shares	10.8	10.8
Paid-in surplus	1,721.1	1,716.7
Retained earnings	2,647.5	2,496.0
Accumulated other comprehensive income, after-tax:		
Net unrealized gains on investments	144.0	194.0
Net unrealized foreign currency translation gains	52.8	37.2
Other	(.9)	.6
Total common shareholders' equity	4,575.3	4,455.3
Total liabilities, minority interest and common shareholders' equity	\$ 19,184.3	\$ 19,443.7

See Notes to Consolidated Financial Statements

WHITE MOUNTAINS INSURANCE GROUP, LTD.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
Unaudited

(Millions, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenues:				
Earned insurance and reinsurance premiums	\$ 960.7	\$ 953.5	\$ 1,898.7	\$ 1,854.5
Net investment income	126.7	104.4	244.7	202.9
Net realized investment gains	89.1	106.5	163.0	135.0
Other revenue	34.1	36.5	70.3	66.3
Total revenues	1,210.6	1,200.9	2,376.7	2,258.7
Expenses:				
Loss and loss adjustment expenses	592.1	763.8	1,205.4	1,327.8
Insurance and reinsurance acquisition expenses	203.6	187.7	396.2	373.3
Other underwriting expenses	136.2	122.8	273.9	238.7
General and administrative expenses	62.4	22.3	115.3	66.9
Accretion of fair value adjustment to loss and loss adjustment expense reserves	5.5	6.4	10.6	11.6
Interest expense on debt	18.3	11.9	35.1	23.6
Interest expense - dividends on preferred stock subject to mandatory redemption	7.5	7.5	15.1	15.1
Interest expense - accretion on preferred stock subject to mandatory redemption	8.8	6.9	17.0	13.3
Total expenses	1,034.4	1,129.3	2,068.6	2,070.3
Pre-tax income	176.2	71.6	308.1	188.4
Income tax benefit (provision)	(55.8)	29.3	(87.0)	2.4
Income before equity in earnings of unconsolidated affiliates and minority interest	120.4	100.9	221.1	190.8
Minority interest	(26.4)	.1	(45.4)	(2.8)
Equity in earnings of unconsolidated affiliates	8.6	14.8	19.1	23.8
Net income	102.6	115.8	194.8	211.8
Change in net unrealized gains and losses for investments held	(31.4)	(63.0)	40.2	(96.2)
Change in foreign currency translation and other	17.9	11.9	14.1	32.9
Recognition of net unrealized gains and losses for investments sold	(39.3)	(51.5)	(90.2)	(75.4)
Comprehensive net income	\$ 49.8	\$ 13.2	\$ 158.9	\$ 73.1
Basic earnings per share	\$ 9.51	\$ 10.75	\$ 18.07	\$ 19.67
Diluted earnings per share	9.49	10.72	18.03	19.61
Dividends declared and paid per common share	\$ 2.00	\$ 2.00	\$ 4.00	\$ 4.00

WHITE MOUNTAINS INSURANCE GROUP, LTD.
CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY
Unaudited

(Millions)	Common shareholders' equity	Common shares and paid-in surplus	Retained earnings	Accum. other comprehensive income, after-tax	Unearned compensation
Balances at January 1, 2007	\$ 4,455.3	\$ 1,727.5	\$ 2,496.0	\$ 231.8	\$ —
Cumulative effect adjustment - taxes (FIN 48)	.2	—	.2	—	—
Net income	194.8	—	194.8	—	—
Other comprehensive income, after-tax	(35.9)	—	—	(35.9)	—
Dividends declared on common shares	(43.5)	—	(43.5)	—	—
Issuances of common shares	1.8	1.8	—	—	—
Repurchases and retirements of common shares	(2.5)	(2.5)	—	—	—
Amortization of restricted share and option awards	5.1	5.1	—	—	—
Balances at June 30, 2007	\$ 4,575.3	\$ 1,731.9	\$ 2,647.5	\$ 195.9	\$ —
(Millions)	Common shareholders' equity	Common shares and paid-in surplus	Retained earnings	Accum. other comprehensive income, after-tax	Unearned compensation
Balances at January 1, 2006	\$ 3,833.2	\$ 1,727.2	\$ 1,899.8	\$ 208.1	\$ (1.9)
Net income	211.8	—	211.8	—	—
Other comprehensive income, after-tax	(138.7)	—	—	(138.7)	—
Cumulative effect adjustment - hybrid instruments (FAS 155)	—	—	9.2	(9.2)	—
Cumulative effect adjustment - share-based compensation (FAS 123R)	—	(1.9)	—	—	1.9
Dividends declared on common shares	(43.1)	—	(43.1)	—	—
Issuances of common shares	.2	.2	—	—	—
Amortization of restricted share and option awards	.9	.9	—	—	—
Balances at June 30, 2006	\$ 3,864.3	\$ 1,726.4	\$ 2,077.7	\$ 60.2	\$ —

See Notes to Consolidated Financial Statements

WHITE MOUNTAINS INSURANCE GROUP, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

(Millions)	Six Months Ended June 30,	
	2007	2006
Cash flows from operations:		
Net income	\$ 194.8	\$ 211.8
Charges (credits) to reconcile net income to net cash used for operations:		
Net realized investment gains	(163.0)	(135.0)
Minority interest	45.4	2.8
Other operating items:		
Net change in loss and loss adjustment expense reserves	(412.9)	(532.0)
Net change in reinsurance recoverable on paid and unpaid losses	424.6	340.7
Net change in unearned insurance and reinsurance premiums	149.7	130.4
Net change in funds held by ceding companies	85.6	62.8
Net change in deferred acquisition costs	(31.3)	(33.8)
Net change in ceded unearned premiums	(42.6)	36.9
Net change in funds held under reinsurance treaties	(31.0)	(34.8)
Net change in insurance and reinsurance premiums receivable	(92.2)	(34.4)
Net change in other assets and liabilities, net	(195.6)	(165.1)
Net cash used for operations	(68.5)	(149.7)
Cash flows from investing activities:		
Net change in short-term investments	191.9	(109.8)
Sales of fixed maturity investments	3,047.1	2,344.7
Maturities, calls and paydowns of fixed maturity investments	546.5	445.3

Sales of common equity securities	268.0	252.3
Sales of other investments	85.0	23.3
Purchases of other investments	(22.6)	(40.4)
Purchases of common equity securities	(392.1)	(280.0)
Purchases of fixed maturity investments	(3,800.9)	(2,488.8)
Purchases of unconsolidated affiliates	(51.6)	—
Sale of shares of OneBeacon Ltd.	16.7	—
Maturities of trust account investments	33.8	—
Net change in unsettled investment purchases and sales	(50.4)	18.4
Net acquisitions of property and equipment	(12.7)	(8.5)
Net cash (used for) provided from investing activities	(141.3)	156.5
Cash flows from financing activities:		
Issuance of White Mountains Re Group, Ltd. Preference Shares, net of issuance costs	246.6	—
Issuance of debt	394.4	50.0
Repayment of debt	(322.0)	—
Redemption of mandatorily redeemable preferred stock	(20.0)	—
Interest rate swap agreement	(2.4)	—
Cash dividends paid to the Company's common shareholders	(43.5)	(43.1)
Cash dividends paid to OneBeacon Ltd.'s minority common shareholders	(11.8)	—
Cash dividends paid to preferred shareholders	(15.1)	(15.1)
Cash dividends paid on White Mountains Re Group, Ltd. Preference Shares	(1.9)	—
Common shares repurchased	(2.5)	—
Proceeds from issuances of common shares	1.8	.1
Net cash provided from (used for) financing activities	223.6	(8.1)
Effect of exchange rate changes on cash	.1	5.2
Net increase in cash during the period	13.9	3.9
Cash balances at beginning of period	159.0	187.7
Cash balances at end of period	\$ 172.9	\$ 191.6
Supplemental cash flows information:		
Interest paid	\$ (29.0)	\$ (22.5)
Net Federal income taxes (paid) received	(71.4)	17.5

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1. Summary of Significant Accounting Policies

Basis of presentation

These interim consolidated financial statements include the accounts of White Mountains Insurance Group, Ltd. (the "Company" or the "Registrant") and its subsidiaries (collectively, "White Mountains") and have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). The Company is an exempted Bermuda limited liability company whose principal businesses are conducted through its property and casualty insurance and reinsurance subsidiaries and affiliates. The Company's headquarters are located at Bank of Butterfield Building, 42 Reid Street, Hamilton, Bermuda HM 12, its principal executive office is located at 80 South Main Street, Hanover, New Hampshire 03755-2053 and its registered office is located at Clarendon House, 2 Church Street, Hamilton, Bermuda HM 11. White Mountains' reportable segments are OneBeacon, White Mountains Re, Esurance and Other Operations. Significant intercompany transactions among White Mountains' segment have been eliminated herein.

The OneBeacon segment consists of OneBeacon Insurance Group, Ltd. ("OneBeacon Ltd."), a Bermuda-based company that owns a family of U.S.-based property and casualty insurance companies (collectively "OneBeacon"), substantially all of which operate in a multi-company pool. OneBeacon offers a wide range of specialty, personal and commercial products and services sold primarily through select independent agents and brokers. OneBeacon was acquired by White Mountains in 2001 (the "OneBeacon Acquisition"). During the fourth quarter of 2006, White Mountains sold 27.6 million, or 27.6%, of OneBeacon Ltd.'s common shares in an initial public offering (the "OneBeacon Offering"). In connection with the OneBeacon Offering, White Mountains undertook an internal reorganization (the "Reorganization") and formed OneBeacon Ltd. for the purpose of holding certain of its property and casualty insurance businesses. As a result of the Reorganization, certain of White Mountains' businesses that have been historically reported as part of its Other Operations segment are now owned by OneBeacon Ltd., and accordingly have been included in the OneBeacon segment for all periods presented in this report. In addition, certain other businesses of White Mountains that had been historically reported as part of its OneBeacon segment and which were not held by OneBeacon Ltd. following the OneBeacon Offering are included in the Other Operations segment for all periods presented in this report.

The White Mountains Re segment consists of White Mountains Re, Ltd., a Bermuda-based holding company, and its subsidiaries (collectively "White Mountains Re"). White Mountains Re offers reinsurance capacity for property, liability, accident & health, aviation and certain other exposures on a worldwide basis through its subsidiaries, Folksamerica Reinsurance Company ("Folksamerica Re", together with its immediate parent, Folksamerica Holding Company ("FHC"), "Folksamerica"), and Sirius International Insurance Corporation ("Sirius International"). White Mountains Re also provides reinsurance advisory services, specializing primarily in property and other short-tailed lines of reinsurance, through White Mountains Re Underwriting Services Ltd. ("WMRUS"). On August 3, 2006, White Mountains Re sold one of its subsidiaries, Sirius America Insurance Company ("Sirius America"), to an investor group. As part of the transaction, White Mountains acquired an equity interest of approximately 18% in the acquiring entity, Lightyear Delos Acquisition Corp. ("Delos"), and accounts for Delos on the equity method within its Other Operations segment.

The Esurance segment consists of Esurance Holdings, Ltd., a Bermuda-based company, and certain of its subsidiaries (collectively, "Esurance"). Esurance sells personal auto insurance directly to customers online and through select online agents.

White Mountains' Other Operations segment consists of the Company and its intermediate holding companies, its wholly-owned investment management subsidiary, White Mountains Advisors LLC ("WM Advisors"), its weather risk management business ("Galileo"), its variable annuity reinsurance business ("WM Life Re"), as well as the International American Group, Inc. (the "International American Group") and various other entities not included in other segments. The International American Group, which was acquired by White Mountains in 1999, includes American Centennial Insurance Company ("American Centennial") and British Insurance Company of Cayman ("British Insurance Company"), both of which are in run-off. The Other Operations segment also includes White Mountains' investments in warrants to purchase common shares of Symetra Financial Corporation ("Symetra"), common and preferred shares of Delos and warrants to purchase common shares of Montpelier Re Holdings, Ltd. ("Montpelier Re"), which White Mountains sold back to Montpelier Re on May 1, 2007.

All significant intercompany transactions have been eliminated in consolidation. These interim financial statements include all adjustments considered necessary by management to fairly present the financial position, results of operations and cash flows of White Mountains and are of a normal recurring nature. These interim financial statements may not be indicative of financial results for the full year and should be read in conjunction with the Company's 2006 Annual Report on Form 10-K. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Refer to the Company's 2006 Annual Report on Form 10-K for a complete discussion regarding White Mountains' significant accounting policies.

Minority Interest

Minority interests consist of the ownership interests of noncontrolling shareholders in consolidated subsidiaries, and are presented separately on the balance sheet. The portion of income attributable to minority interests is presented net of related income taxes in the statement of income and comprehensive income. The change in unrealized investment gains, foreign currency translation and the change in the fair value of the interest rate swap to hedge OneBeacon's exposure to variability in the interest rate on its mortgage note are presented in accumulated other comprehensive income net of the minority interest portion. The percentage of the noncontrolling shareholders' ownership interest in OneBeacon Ltd. at June 30, 2007 and December 31, 2006 was 28.3% and 27.6%.

White Mountains began to present minority interest subsequent to the sale of OneBeacon Ltd. shares. The portion of income attributable to minority interest in certain limited partnership investments has been reclassified to conform with the presentation of the minority interest in OneBeacon Ltd. On May 24, 2007, White Mountains Re Group, Ltd. ("WMRe Group"), an intermediate holding company of White Mountains Re, issued \$250 million non-cumulative perpetual preference shares ("the Preference Shares") (See Note 2). The Preference Shares and dividends thereon are included in minority interest on the balance sheet and as minority interest expense on the statement of income and comprehensive income, respectively.

Recently Adopted Changes in Accounting Principles

Federal, State and Foreign Income Taxes

While White Mountains is subject to taxation in several jurisdictions, the majority of White Mountains' subsidiaries file consolidated tax returns in the United States. Income earned or losses generated by companies outside the United States are generally subject to an overall effective tax rate lower than that imposed by the United States.

On January 1, 2007 White Mountains adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"). FIN 48 prescribes when the impact of a given tax position should be recognized and how it should be measured. Under the new guidance, recognition is based upon whether or not a company determines that it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. In evaluating the more-likely-than-not recognition threshold, White Mountains must presume that the tax position will be subject to examination by a taxing authority with full knowledge of all relevant information. If the recognition threshold is met, then the tax position is measured at the largest amount of benefit that is more than 50% likely of being realized upon ultimate settlement.

FIN 48 also addresses how interest and penalties should be accrued for uncertain tax positions, requiring that interest expense should be recognized in the first period interest would be accrued under the tax law. White Mountains classifies all interest and penalties on unrecognized tax benefits as part of income tax expense. At January 1, 2007, White Mountains had accrued interest and penalties of \$3.8 million, net of federal benefit. In connection with the adoption of FIN 48, White Mountains recognized a \$.2 million decrease in the liability for unrecognized tax benefits, primarily as a result of reductions in its estimates of accrued interest. The effect of adoption has been recorded as an adjustment to opening retained earnings.

At January 1, 2007, White Mountains had \$70.6 million of unrecognized tax benefits. If recognized, \$60.3 million would increase net income and reduce the effective tax rate. The remaining \$10.3 million of unrecognized tax benefits would not affect the effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period. There have been no material changes to these balances since adoption.

With few exceptions, White Mountains is no longer subject to U.S. federal, state or non-U.S. income tax examinations by tax authorities for years before 2003. The Internal Revenue Service (IRS) commenced an examination of White Mountains' U.S. income tax returns for 2003 through 2004 in the second quarter of 2006 that is anticipated to be completed by the end of 2008. As of June 30, 2007, the IRS has not proposed any significant adjustments to taxable income. White Mountains does not expect to receive any adjustments that would result in a material change to its financial position.

White Mountains does not anticipate any significant changes to its total unrecognized tax benefits within the next twelve months.

Recent Accounting Pronouncements

Fair Value Measurements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (“FAS 157”). The Statement provides a revised definition of fair value and guidance on the methods used to measure fair value. The Statement also expands financial statement disclosure requirements for fair value information. The Statement establishes a fair value hierarchy that distinguishes between assumptions based on market data from independent sources (“observable inputs”) and a reporting entity’s internal assumptions based upon the best information available when external market data is limited or unavailable (“unobservable inputs”). The fair value hierarchy in FAS 157 prioritizes inputs within three levels. Quoted prices in active markets have the highest priority (Level 1) followed by observable inputs other than quoted prices (Level 2) and unobservable inputs having the lowest priority (Level 3). The guidance in FAS 157 is applicable to derivatives as well as other financial instruments measured at fair value and nullifies the guidance that provided for the deferral of gains at the date of initial measurement. The Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. White Mountains has not yet determined the effect of adoption on its financial condition, results of operations or cash flows.

Fair Value Option

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (“FAS 159”). The Statement allows companies to make an election, on an individual instrument basis, to report financial assets and liabilities at fair value. The election must be made at the inception of a transaction and may not be reversed. The election may also be made for existing financial assets and liabilities at the time of adoption. Unrealized gains and losses on assets or liabilities for which the fair value option has been elected are to be reported in earnings. The Statement requires additional disclosures for instruments for which the election has been made, including a description of management’s reasons for making the election. The Statement is effective as of fiscal years beginning after November 15, 2007 and is to be adopted prospectively and concurrent with the adoption of FAS 157. White Mountains has not yet determined the effect of adoption on its financial condition, results of operations or cash flows.

Note 2. Significant Transactions

Preference Shares

On May 24, 2007, WMRe Group issued 250,000 non-cumulative perpetual preference shares with a \$1,000 per share liquidation preference. Proceeds of \$245.7 million, net of \$4.3 million of issuance costs and commissions, were received from the issuance. Holders of the Preference Shares receive dividends on a non-cumulative basis when and if declared by WMRe Group. The holders of the Preference Shares have the right to elect two directors to WMRe Group’s board in the event of non-payment of dividends for six quarterly dividend periods. The right ceases upon the payment of dividends for four quarterly periods or the redemption of the Preference Shares. In addition, WMRe Group may not declare or pay dividends on its common shares unless it is current on its most recent dividend period. The dividend rate is fixed at an annual rate of 7.506% until June 30, 2017. After June 30, 2017, the dividend rate will be paid at a floating annual rate, equal to the greater of 3 month LIBOR plus 3.20% or 7.506%. The Preference Shares are redeemable solely at the discretion of WMRe Group on or after June 30, 2017 at their liquidation preference, plus any declared but unpaid dividends. Prior to June 30, 2017, WMRe Group may elect to redeem the Preference Shares at an amount equal to the greater of 1) the aggregate liquidation preference of the shares to be redeemed and 2) the sum of the present values of the aggregate liquidation preference of the shares to be redeemed and the remaining scheduled dividend payments on the shares to be redeemed (excluding June 30, 2017), discounted to the redemption date on a semi-annual basis at a rate equal to the rate on a comparable treasury issue, plus 45 basis points. In the event of liquidation of WMRe Group, the holders of the Preference Shares would have preference over the common shareholders and would receive a distribution equal to the liquidation preference per share, subject to availability of funds.

Note 3. Loss and Loss Adjustment Expense Reserves

The following table summarizes the loss and loss adjustment expense (“LAE”) reserve activities of White Mountains’ insurance subsidiaries for the three and six months ended June 30, 2007 and 2006:

Millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Gross beginning balance	\$ 8,636.0	\$ 9,987.0	\$ 8,777.2	\$ 10,231.2
Less beginning reinsurance recoverable on unpaid losses	(3,873.7)	(4,860.0)	(4,015.7)	(5,025.7)
Net loss and LAE reserves	4,762.3	5,127.0	4,761.5	5,205.5
Loss and LAE incurred relating to:				
Current year losses	627.8	569.1	1,257.9	1,122.9
Prior year losses	(35.7)	194.7	(52.5)	204.9
Total incurred losses and LAE	592.1	763.8	1,205.4	1,327.8
Accretion of fair value adjustment to loss and LAE reserves	5.4	6.4	10.5	11.6
Foreign currency translation adjustment to loss and LAE reserves	3.5	11.9	7.2	19.9
Loss and LAE paid relating to:				
Current year losses	(238.8)	(213.7)	(381.3)	(371.0)
Prior year losses	(453.0)	(581.0)	(931.8)	(1,079.4)
Total loss and LAE payments	(691.8)	(794.7)	(1,313.1)	(1,450.4)
Net ending balance	4,671.5	5,114.4	4,671.5	5,114.4
Plus ending reinsurance recoverable on unpaid losses	3,693.2	4,660.9	3,693.2	4,660.9
Gross ending balance	\$ 8,364.7	\$ 9,775.3	\$ 8,364.7	\$ 9,775.3

White Mountains experienced \$35.7 million and \$52.5 million of net favorable development on prior accident year loss reserves during the three and six months ended June 30, 2007. For the three months ended June 30, 2007, OneBeacon, White Mountains Re, and Other Operations had net favorable development of \$12.7 million, \$18.1 million and \$10.7 million, respectively, offset by \$5.8 million of unfavorable development on prior year losses at Esurance. For the six months ended June 30, 2007, OneBeacon, White Mountains Re, and Other Operations had net favorable development of \$24.7 million, \$25.5 million and \$10.7 million, respectively, offset by \$8.4 million of unfavorable development on prior year losses at Esurance. Net favorable development at White Mountains Re primarily related to prior underwriting years on property lines. OneBeacon experienced net favorable development in 2007 that was primarily due to professional liability in specialty lines, property liability in commercial lines and automobile liability in personal lines. Esurance has experienced net unfavorable development in 2007 as reserves were increased for bodily injury claims from prior accident years. The Other Operations segment experienced \$10.7 million of favorable development during the second quarter of 2007, primarily due to the settlement of a large claim at BICC.

White Mountains experienced \$194.7 million and \$204.9 million of net unfavorable development on prior accident year loss reserves during the three and six months ended June 30, 2006, which was primarily related to adverse development on loss and LAE reserves previously established for hurricanes Katrina, Rita and Wilma.

In connection with purchase accounting for the acquisitions of OneBeacon, Sirius and Stockbridge Insurance Company, White Mountains was required to adjust loss and LAE reserves and the related reinsurance recoverables to fair value on OneBeacon's, Sirius' and Stockbridge Insurance Company's acquired balance sheets. The net reduction to loss and LAE reserves is being recognized through an income statement charge ratably with and over the period the claims are settled. Accordingly, White Mountains recognized \$5.4 million and \$10.5 million of such charges for the three and six months ended June 30, 2007, respectively, and \$6.4 million and \$11.6 million of such charges for the three and six months ended June 30, 2006, respectively.

Note 4. Third Party Reinsurance

In the normal course of business, White Mountains' insurance and reinsurance subsidiaries seek to limit losses that may arise from catastrophes or other events by reinsuring with third party reinsurers. White Mountains remains liable for risks reinsured in the event that the reinsurer does not honor its obligations under reinsurance contracts.

OneBeacon

At June 30, 2007, OneBeacon had \$21.2 million of reinsurance recoverables on paid losses and \$2,994.6 million (gross of \$229.1 million in purchase accounting adjustments) that will become recoverable if claims are paid in accordance with current reserve estimates. The collectibility of balances due from OneBeacon's reinsurers is critical to OneBeacon's financial strength because reinsurance contracts do not relieve OneBeacon of its primary obligation to its policyholders. OneBeacon is selective with its reinsurers, placing reinsurance with only those reinsurers having a strong financial condition. OneBeacon monitors the financial strength of its reinsurers on an ongoing basis. As a result, uncollectible amounts have historically not been significant. The following table provides a listing of OneBeacon's top reinsurers, excluding industry pools and associations, based upon recoverable amounts, the percentage of total reinsurance recoverables and the reinsurer's A.M. Best rating.

Top Reinsurers (\$ in millions)	Balance at June 30, 2007	% of Total	A.M. Best Rating (1)
Subsidiaries of Berkshire (NICO and GRC) (2)	\$ 2,145.0	77%	A++
Nichido (formerly Tokio Fire and Marine Insurance Company)	58.7	2%	A++
Munich Re America (formerly America Reinsurance Company)	52.4	2%	A
Liberty Mutual Insurance Group and subsidiaries (3)	35.8	1%	A
Swiss Re	21.0	1%	A+

- (1) A.M. Best ratings as detailed above are: "A++" (Superior, which is the highest of fifteen ratings), "A+" (Superior, which is the second highest of fifteen ratings) and "A" (Excellent, which is the third highest of fifteen ratings).
- (2) Includes \$404.0 million of Third Party Recoverables, which NICO would pay under the terms of the NICO Cover (as defined below) if they are unable to collect from third party reinsurers. OneBeacon also has an additional \$363.0 million of Third Party Recoverables from various reinsurers, the majority of which are rated "A" or better by A.M. Best.
- (3) At June 30, 2007, OneBeacon had assumed balances receivable and expenses receivable of approximately \$36.8 million under its renewal rights agreement with Liberty Mutual Insurance Group ("Liberty Mutual"), which expired on October 31, 2003.

In connection with the OneBeacon Acquisition, the seller caused OneBeacon to purchase two reinsurance contracts: a full risk-transfer cover from National Indemnity Company ("NICO") for up to \$2.5 billion in old asbestos and environmental ("A&E") claims and certain other exposures (the "NICO Cover") and an adverse development cover (the "GRC Cover") from General Reinsurance Corporation ("GRC") for up to \$570.0 million, comprised of \$400.0 million of adverse development on losses occurring in years 2000 and prior in addition to \$170.0 million of reserves ceded as of the date of the OneBeacon Acquisition. The NICO Cover and GRC Cover, which were contingent on and occurred contemporaneously with the OneBeacon Acquisition, were put in place in lieu of a seller guarantee of loss and LAE reserves and are therefore accounted for as a seller guarantee under GAAP in accordance with Emerging Issues Task Force Technical Matter Document No. D-54 ("EITF Topic D-54"). NICO and GRC are wholly-owned subsidiaries of Berkshire Hathaway Inc. ("Berkshire").

Under the terms of the NICO Cover, NICO receives the economic benefit of reinsurance recoverables ("Third Party Recoverables") from certain of OneBeacon's third party reinsurers in existence at the time the NICO Cover was executed. As a result, the Third Party Recoverables serve to protect the \$2.5 billion limit of NICO coverage for the benefit of OneBeacon. White Mountains estimates that on an incurred basis, net of Third Party Recoverables, as of June 30, 2007 it has used approximately \$2.1 billion of the coverage provided by NICO. Approximately \$914.6 million of these incurred losses have been paid by NICO through June 30, 2007. Since entering into the NICO Cover, \$37.5 million of the \$2.1 billion of utilized coverage from NICO related to uncollectible Third Party Recoverables. To the extent that actual experience differs from White Mountains' estimate of ultimate A&E losses and Third Party Recoverables, future losses could utilize some or all of the protection remaining under the NICO Cover.

Pursuant to the GRC Cover, OneBeacon is not entitled to recover losses to the full contract limit if such losses are reimbursed by GRC more quickly than anticipated at the time the contract was signed. OneBeacon intends to only seek reimbursement from GRC for claims which result in payment patterns similar to those supporting its recoverables recorded pursuant to the GRC Cover. The economic cost of not submitting certain other eligible claims to GRC is primarily the investment spread between the rate credited by GRC and the rate achieved by OneBeacon on its own investments. This cost, if any, is expected to be small.

Effective, July 1, 2007, OneBeacon renewed its property catastrophe reinsurance program through June 30, 2008. The program provides coverage for all OneBeacon property business including automobile physical damage, as well as terrorism coverage for non-TRIA events (excluding nuclear, biological, chemical and radiological). Under the program, the first \$150 million of losses resulting from a single catastrophe are retained by OneBeacon and \$650 million of the next \$700 million of losses resulting from the catastrophe are reinsured. Any loss above \$850 million

would be retained by OneBeacon. In the event of a catastrophe, OneBeacon's property catastrophe reinsurance program is reinstated for the remainder of the original contract term by paying a reinstatement premium that is based on the percentage of coverage reinstated and the original property catastrophe coverage premium.

White Mountains Re

White Mountains Re's principal reinsurance protection is provided through Folksamerica Re's quota share retrocessional arrangements with Olympus Reinsurance Company Ltd. ("Olympus") and Helicon Reinsurance Company, Ltd. ("Helicon") and through excess of loss protection purchased by Sirius to cover Sirius' property catastrophe and aviation exposures.

At June 30, 2007, White Mountains Re had \$35.9 million of reinsurance recoverables on paid losses and \$895.4 million that will become recoverable if claims are paid in accordance with current reserve estimates. Because reinsurance contracts do not relieve White Mountains Re of its obligation to its ceding companies, the collectibility of balances due from its reinsurers is critical to White Mountains Re's financial strength. White Mountains Re monitors the financial strength of its reinsurers on an ongoing basis. The following table provides a listing of White Mountains Re's top reinsurers based upon recoverable amounts, the percentage of total recoverables and the reinsurers' A.M. Best ratings.

Top Reinsurers (Millions)	Balance at June 30, 2007	% of Total	A.M. Best Rating (2)	% Collateralized
Olympus (1)(3)	\$ 320.9	34%	NR-4	100%
Imagine Re (1)	163.7	18%	A-	100%
London Life (1)	93.1	10%	A	100%
General Re	86.8	9%	A++	2%
The Travelers Companies	57.6	6%	A+	0%

(1) Non-U.S. insurance entities. Balances are fully collateralized through funds held, letters of credit or trust agreements.

(2) A.M. Best ratings as detailed above are: "NR-4" (Not rated per company request), "A++" (Superior, which is the highest of fifteen ratings), "A+" (Superior, which is the second highest of fifteen ratings), "A" (Excellent, which is the third highest of fifteen ratings), and "A-" (Excellent, which is the fourth highest of fifteen ratings).

(3) Gross of amounts due to Olympus under an indemnity agreement with FHC.

Note 5. Investment Securities

White Mountains' invested assets comprise securities and other investments held for general investment purposes and those held in a segregated trust account.

White Mountains' portfolio of fixed maturity investments and common equity securities, excluding convertible bonds, held for general investment purposes are classified as available for sale and are reported at fair value as of the balance sheet date as determined by quoted market prices. Net unrealized investment gains and losses on available for sale securities are reported net, after-tax, as a separate component of shareholders' equity. Changes in net unrealized investment gains and losses, net of the effect of adjustments for minority interest and after-tax, are reported as a component of other comprehensive income.

White Mountains has elected the fair value option for its investment in convertible bonds. Convertible bonds are carried at fair value with changes therein recorded in income as realized investment gains.

Asset-backed securities are included in fixed maturity investments and consist primarily of pooled collateralized mortgage obligations. Asset-backed securities are classified as available for sale and carried at fair value. Fair values for asset-backed securities are based on quoted market prices from a third party pricing service. Income on asset-backed securities is recognized using an effective yield based on anticipated prepayments and the estimated economic life of the securities. When actual prepayments differ significantly from anticipated prepayments, the estimated economic life is recalculated and the remaining unamortized premium or discount is amortized prospectively over the remaining economic life.

The portfolio of fixed maturity investments held in the segregated trust account are classified as held to maturity as White Mountains has the ability and intent to hold the investments until maturity. Securities classified as held to maturity are recorded at amortized cost.

Investment securities are regularly reviewed for impairment based on criteria that include the extent to which cost exceeds market value, the duration of the market decline, the financial health of and specific prospects for the issuer and the ability and intent to hold the investment to recovery. Investment losses that are other than temporary are recognized in earnings. Realized gains and losses resulting from sales of investment securities are accounted for

using the weighted average method. Premiums and discounts on all fixed maturity investments are accreted to income over the anticipated life of the investment. Short-term investments consist of money market funds, certificates of deposit and other securities which mature or become available for use within one year. Short-term investments are carried at amortized cost, which approximated fair value as of June 30, 2007 and December 31, 2006. Short-term investments held in the segregated trust account are included in the total of investments held in trust.

Other investments comprise White Mountains' investments in limited partnerships, warrants, equity method investments and an interest rate swap accounted for as a cash flow hedge.

Net investment income for the three and six months ended June 30, 2007 and 2006 consisted of the following:

Millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Investment income:				
Fixed maturity investments	\$ 103.9	\$ 89.5	\$ 200.2	\$ 171.0
Short-term investments	18.3	9.7	36.2	19.0
Common equity securities	6.5	9.8	11.5	16.6
Other	.1	.1	1.2	3.0
Convertible fixed maturity investments	2.5	(.3)	3.6	.1
Total investment income	131.3	108.8	252.7	209.7
Less investment expenses	(4.6)	(4.4)	(8.0)	(6.8)
Net investment income, pre-tax	\$ 126.7	\$ 104.4	\$ 244.7	\$ 202.9

Realized investment gains (losses) consisted of the following:

Millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Fixed maturity investments	\$ (3.1)	\$ (3.7)	\$ 5.2	\$.1
Common equity securities	46.2	24.2	94.2	39.5
Other investments	42.1	71.0	59.8	72.7
Convertible fixed maturity investments	3.9	15.0	3.8	22.7
Net realized investment gains, pre-tax	\$ 89.1	\$ 106.5	\$ 163.0	\$ 135.0

Net realized gains decreased by \$17.4 million in the second quarter of 2007 compared to the second quarter of 2006, primarily due to a \$21 million realized gain from the redemption of a private equity investment in the second quarter of 2006.

White Mountains' ending net unrealized investment gains and losses on its investment portfolio and its investments in unconsolidated affiliates at June 30, 2007 and December 31, 2006 were as follows:

Millions	June 30, 2007	December 31, 2006
Investment securities:		
Gross unrealized investment gains	\$ 367.4	\$ 353.6
Gross unrealized investment losses	(90.0)	(52.2)
Net unrealized gains from investment securities	277.4	301.4
Net unrealized gains (losses) from investments in unconsolidated affiliates	(33.1)	.3
Total net unrealized investment gains, before tax	244.3	301.7
Income taxes attributable to such gains	(97.2)	(103.2)
Minority interest	(3.1)	(4.5)
Total net unrealized investment gains, after-tax	\$ 144.0	\$ 194.0

The cost or amortized cost, gross unrealized investment gains and losses, and carrying values of White Mountains' fixed maturity investments as of June 30, 2007 and December 31, 2006, were as follows:

Millions	June 30, 2007				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains	Carrying value
U.S. Government obligations	\$ 1,995.1	\$ 2.0	\$ (21.8)	\$ 4.1	\$ 1,979.4
Debt securities issued by industrial corporations	2,069.3	21.8	(33.5)	14.1	2,071.7
Municipal obligations	11.9	.4	—	—	12.3
Asset-backed securities	2,660.8	.9	(10.2)	19.5	2,671.0
Foreign government obligations	631.4	.1	(10.8)	49.0	669.7
Preferred stocks	101.6	11.3	(.1)	8.0	120.8
Total fixed maturity investments	\$ 7,470.1	\$ 36.5	\$ (76.4)	\$ 94.7	\$ 7,524.9

Millions	December 31, 2006				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains	Carrying value

U.S. Government obligations	\$ 1,651.3	\$ 5.0	\$ (11.9)	\$ —	\$ 1,644.4
Debt securities issued by industrial corporations	2,048.8	21.8	(23.6)	25.4	2,072.4
Municipal obligations	15.5	.5	—	—	16.0
Asset-backed securities	2,899.1	10.8	(7.5)	2.3	2,904.7
Foreign government obligations	657.2	2.1	(6.1)	55.2	708.4
Preferred stocks	105.1	16.8	(.4)	7.9	129.4
Total fixed maturity investments	\$ 7,377.0	\$ 57.0	\$ (49.5)	\$ 90.8	\$ 7,475.3

The cost or amortized cost, gross unrealized investment gains and losses, and carrying values of White Mountains' common equity securities, other investments and convertible fixed maturity investments as of June 30, 2007 and December 31, 2006, were as follows:

Millions	June 30, 2007				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains	Carrying value
Common equity securities	\$ 1,160.5	\$ 246.1	\$ (11.2)	\$ 7.3	\$ 1,402.7
Other investments	\$ 478.0	\$ 82.6	\$ (2.1)	\$ —	\$ 558.5
Convertible fixed maturity investments	\$ 542.8	\$ 2.2	\$ (.3)	\$ —	\$ 544.7

Millions	December 31, 2006				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains	Carrying value
Common equity securities	\$ 972.0	\$ 237.2	\$ (1.3)	\$ 4.7	\$ 1,212.6
Other investments	\$ 467.1	\$ 59.1	\$ (1.4)	\$ —	\$ 524.8
Convertible fixed maturity investments	\$ 435.9	\$.3	\$ —	\$ —	\$ 436.2

Impairment

Temporary losses on investment securities are recorded as unrealized losses. Temporary losses do not impact net income and earnings per share but serve to reduce comprehensive net income, shareholders' equity and tangible book value. Unrealized losses subsequently identified as other-than-temporary impairments are recorded as realized losses. Other-than-temporary impairments previously recorded as unrealized losses do not impact comprehensive net income, shareholders' equity and tangible book value but serve to reduce net income and earnings per share.

White Mountains' methodology of assessing other-than-temporary impairments is based on security-specific facts and circumstances as of the balance sheet date. As a result, subsequent adverse changes in an issuers' credit quality or subsequent weakening of market conditions that differ from expectations could result in additional other-than-temporary impairments. In addition, the sale of a fixed maturity security with a previously recorded unrealized loss would result in a realized loss. Either of these situations would adversely impact net income and earnings per share but would not impact comprehensive net income, shareholders' equity or tangible book value.

The following table presents an analysis of the continuous periods during which White Mountains has held investment positions which were carried at an unrealized loss as of June 30, 2007 (excluding short-term investments):

(\$ in millions)	June 30, 2007			
	0-6 Months	6-12 Months	> 12 Months	Total
Fixed maturity investments:				
Number of positions	513	48	335	896
Market value	\$ 3,566.6	\$ 268.6	\$ 1,831.6	\$ 5,666.8
Amortized cost	\$ 3,604.6	\$ 270.7	\$ 1,868.2	\$ 5,743.5
Unrealized loss	\$ (38.0)	\$ (2.1)	\$ (36.6)	\$ (76.7)
Common equity securities:				
Number of positions	231	7	7	245
Market value	\$ 138.4	\$ 31.3	\$ 17.5	\$ 187.2
Cost	\$ 144.0	\$ 35.3	\$ 19.1	\$ 198.4
Unrealized loss	\$ (5.6)	\$ (4.0)	\$ (1.6)	\$ (11.2)
Other investments:				
Number of positions	4	—	4	8
Market value	\$ 10.0	\$ —	\$ 20.9	\$ 30.9
Cost	\$ 11.5	\$ —	\$ 21.5	\$ 33.0
Unrealized loss	\$ (1.5)	\$ —	\$ (6)	\$ (2.1)
Total:				
Number of positions	748	55	346	1,149
Market value	\$ 3,715.0	\$ 299.9	\$ 1,870.0	\$ 5,884.9
Amortized cost	\$ 3,760.1	\$ 306.0	\$ 1,908.8	\$ 5,974.9
Unrealized loss	\$ (45.1)	\$ (6.1)	\$ (38.8)	\$ (90.0)
% of total gross unrealized losses	50.1%	6.8%	43.1%	100%

For the six months ended June 30, 2007, White Mountains did not experience any material other-than-temporary impairment charges. White Mountains believes that the gross unrealized losses relating to its fixed maturity investments at June 30, 2007 resulted primarily from increases in market interest rates from the dates that certain investments within that portfolio were acquired as opposed to fundamental changes in the credit quality of the issuers of such securities. White Mountains views these decreases in value as being temporary because it has the intent and ability to retain such investments until recovery. However, should White Mountains determine that it no longer has the intent and ability to hold a fixed maturity investment that has an existing unrealized loss resulting from an increase in market interest rates until it recovers, this loss would be realized through the income statement at the time such determination is made. White Mountains also believes that the gross unrealized losses recorded on its common equity securities and its other investments at June 30, 2007 resulted primarily from decreases in quoted market values from the dates that certain investments securities within that portfolio were acquired as opposed to fundamental changes in the issuer's financial performance and near-term financial prospects. Therefore, these decreases are also viewed as being temporary. However, due to the inherent risk involved in investing in the equity markets, it is possible that the decrease in market value of these investments may ultimately prove to be other than temporary. As of June 30, 2007, White Mountains' investment portfolio did not include any individual investment security with an after-tax unrealized loss of more than \$3.0 million for more than a six-month period.

Note 6. Debt

White Mountains' debt outstanding as of June 30, 2007 and December 31, 2006 consisted of the following:

Millions	June 30, 2007	December 31, 2006
FAC Senior Notes, at face value	\$ 700.0	\$ 700.0
Unamortized original issue discount	(1.3)	(1.3)
FAC Senior Notes, carrying value	698.7	698.7
WMRe Senior Notes, at face value	400.0	—
Unamortized original issue discount	(1.1)	—
WMRe Senior Notes, carrying value	398.9	—
WTM Bank Facility	—	320.0
FAC Bank Facility	—	—
Mortgage Note	40.8	40.8
Sierra Note	27.2	27.2
Atlantic Specialty Note	18.0	20.0
Total debt	<u>\$ 1,183.6</u>	<u>\$ 1,106.7</u>

WMRe Senior Notes

On March 19, 2007, WMRe Group issued \$400.0 million face value of senior unsecured notes at an issue price of 99.715% (the "WMRe Senior Notes") for net proceeds of \$392.0 million after taking into effect both deferrable and non-deferrable issuance costs, including the interest rate lock agreement described below. The WMRe Senior Notes were issued in an offering that is exempt from the registration requirements of the Securities Act of 1933. The WMRe Senior Notes bear an annual interest rate of 6.375%, payable semi-annually in arrears on March 20 and September 20, until maturity in March 2017.

White Mountains Re deferred \$3.6 million in expenses related to the issuance of the WMRe Senior Notes (including \$2.6 million in underwriting fees), which are being recognized into interest expense over the life of the WMRe Senior Notes.

In anticipation of the issuance of the WMRe Senior Notes, White Mountains Re entered into an interest rate lock agreement to hedge its interest rate exposure from the date of the agreement until the pricing of the WMRe Senior Notes. The agreement was terminated on March 15, 2007 with a loss of \$2.4 million, which was recorded in other comprehensive income. The loss is being reclassified from accumulated other comprehensive income over the life of the WMRe Senior Notes using the interest method and is included in interest expense. At June 30, 2007, the unamortized balance of the loss remaining in accumulated other comprehensive income was \$2.4 million.

Taking into effect the amortization of the original issue discount and all underwriting and issuance expenses, including the interest rate lock agreement, the WMRe Senior Notes yield an effective rate of 6.49% per annum. White Mountains recorded \$6.5 million and \$7.2 million of interest expense, inclusive of amortization of issuance costs and the interest rate lock agreement, on the WMRe Senior Notes for the three and six months ended June 30, 2007.

WTM Bank Facility

The net proceeds from the WMRe Senior Notes were distributed to White Mountains and were used in part to repay the \$320 million in outstanding borrowings on White Mountains' revolving credit facility. In accordance with the mandatory commitment reduction provision in the credit facility at the time, following the issuance of the WMRe Senior Notes the revolving credit facility commitment was reduced from \$500 million to \$304 million.

During the second quarter of 2007, White Mountains replaced its existing credit facility with a new \$475 million revolving credit facility that matures in June 2012 (the "WTM Bank Facility"). This new facility removed WMRe Group as co-borrower and co-guarantor, added certain intermediate holding companies of White Mountains as co-guarantors and amended and/or removed certain financial and other covenants. As of June 30, 2007, the WTM Bank Facility was undrawn.

Note 7. Income Taxes

White Mountains' income tax provision (benefit) for the six months ended June 30, 2007 and June 30, 2006 represented effective tax rates of 28.2% and (1.3)%, respectively, which were lower than the U.S. statutory rate of 35%. The effective tax rate is lower for each of the periods due to income generated in jurisdictions other than the United States, partially offset by non-deductible dividends and accretion on the Berkshire Preferred Stock and Zenith Preferred Stock. The effective tax rate for the first six months of 2006 also reflects tax benefits related to settlements of U.S. federal and state income tax audits for years prior to 2003.

Note 8. Weather Contracts

During 2006, White Mountains entered into the weather risk management business through its newly formed subsidiary, Galileo. Galileo offers weather risk management products, which were all in the form of derivative financial instruments at June 30, 2007. All weather derivatives are recognized as either assets or liabilities in the balance sheet. The fair value for exchange traded contracts are based upon quoted market prices when available. Where quoted market prices are not available, management uses available market data and internal pricing models based upon consistent statistical methodologies to estimate the fair value. The gain or loss at the inception date for contracts valued based upon internal pricing models are deferred and amortized into income over the period at risk for each underlying contract. At June 30, 2007, Galileo has unamortized deferred gains of \$.2 million.

Galileo enters into weather derivative contracts with the objective of generating profits in normal climatic conditions. Accordingly, Galileo's weather derivatives are not designed to meet the GAAP criteria for hedge accounting. Galileo initially recognizes the premium paid or received as an asset or liability, respectively, and recognizes any subsequent changes in fair value as they occur in other revenues within the income statement. For the three and six months ended June 30, 2007, Galileo recognized \$.9 million of net losses and \$.1 million of net gains on its weather derivatives portfolio. The fair values of Galileo's risk management products are subject to change in the near-term and reflect management's best estimate based on various factors including, but not limited to, realized and forecasted weather conditions, changes in interest or foreign currency exchange rates and other market factors. Estimating the fair value of derivative instruments that do not have quoted market prices requires management's judgment in determining amounts that could reasonably be expected to be received from or paid to a third party to settle the contracts. Such amounts could be materially different from the amounts that might be realized in an actual transaction to settle the contract with a third party.

At June 30, 2007, Galileo had recorded a net liability of \$1.2 million for exchange traded weather derivative contracts and a net liability of \$.2 million for weather derivative contracts valued based on internal pricing models.

Galileo's weather risk management contracts, all of which mature within one year, are summarized in the following table:

<u>(Millions)</u>	<u>Carrying Value</u>
Net liability for weather derivative contracts at January 1, 2007 (1)	\$ 12.1
Net consideration received for new contracts	.4
Net payments made on contracts settled	(11.0)
Net decrease in fair value on settled and unsettled contracts	(.1)
Net liability for weather derivative contracts at June 30, 2007 (2)	<u>\$ 1.4</u>

(1) Amount includes \$4.7 million of deferred gains

(2) Amount includes \$.2 million of deferred gains

Note 9. Variable Annuity Reinsurance

White Mountains has entered into agreements to reinsure death and living benefit guarantees associated with certain variable annuities in Japan through its wholly owned subsidiary, WM Life Re. The accounting for benefit guarantees differs depending on whether or not the guarantee is classified as a derivative or an insurance liability.

Guaranteed minimum accumulation benefits ("GMABs") are paid to an annuitant for any shortfall between accumulated account value at the end of the accumulation period and the annuitant's total deposit, less any withdrawal payments made to the annuitant during the accumulation period. GMABs meet the definition of a derivative for accounting purposes and are accounted for under FAS 133. Therefore, GMABs are carried at fair value, with changes thereon recognized in income in the period of the change. The liability for the reinsured GMAB contracts has been determined using internal valuation models that use assumptions for interest rates, equity markets, foreign exchange rates and market volatilities at the valuation date, as well as annuitant-related actuarial assumptions, including surrender and mortality rates.

If an annuitant dies during the accumulation period of an annuity contract, guaranteed minimum death benefits ("GMDBs") are paid to the annuitant's beneficiary for shortfalls between accumulated account value at the time of an annuitant's death and the annuitant's total deposit, less any living benefit payments or withdrawal payments previously made to the annuitant. GMDBs are accounted for as life insurance liabilities in accordance with Statement of Position 03-1, "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts" (the "SOP"). The life insurance liability for the reinsured GMDB contracts has been calculated based on investment returns, mortality, surrender rates and other assumptions. The life insurance liability is recognized over the contract period. The life insurance liability as of June 30, 2007, March 31, 2007 and December 31, 2006 was \$.2 million, \$.2 million and \$.1 million, respectively.

The valuation of these liabilities involve significant judgment and is subject to change based upon changes in capital market assumptions and emerging surrender and mortality experience of the underlying contracts in force. At June 30, 2007, March 31, 2007 and December 31, 2006 the liability recorded for the variable annuity benefit guarantees which is included in other liabilities, was \$(23.2) million, \$(13.9) million and \$(13.8) million, respectively.

WM Life Re has entered into derivative contracts that are designed to economically hedge against changes in the fair value of living and death benefit liabilities associated with its variable annuity reinsurance arrangements. The derivatives include futures and over-the-counter option contracts on interest rates, major equity indices, and foreign currencies. All derivative instruments are recorded as assets or liabilities at fair value on the balance sheet. These

derivative financial instruments do not meet the hedging criteria under FAS 133, and accordingly, changes in fair value are recognized in the current period as gains or losses in the income statement. At June 30, 2007, the fair value of these derivative contracts, which is recorded in other assets, was \$21.2 million and had losses of \$12.8 million and \$16.0 million for the three and six month period ended June 30, 2007, which are included in other revenues. In connection with these derivative contracts, WM Life Re has deposited collateral comprising \$4.6 million of cash and \$3.3 million of securities with counterparties.

Note 10. Earnings Per Share

Basic earnings per share amounts are based on the weighted average number of common shares outstanding excluding unvested restricted common shares (“Restricted Shares”). Diluted earnings per share amounts are based on the weighted average number of common shares and the net effect of potentially dilutive common shares outstanding, based on the treasury stock method. The following table outlines the Company’s computation of earnings per share for the three and six months ended June 30, 2007 and 2006:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Basic earnings per share numerators (in millions):				
Net income	\$ 102.6	\$ 115.8	\$ 194.8	\$ 211.8
Diluted earnings per share numerators (in millions):				
Net income	\$ 102.6	\$ 115.8	\$ 194.8	\$ 211.8
Basic earnings per share denominators (in thousands):				
Average common shares outstanding during the period	10,837	10,780	10,830	10,780
Average unvested Restricted Shares	(54)	(10)	(50)	(11)
Basic earnings per share denominator	10,783	10,770	10,780	10,769
Diluted earnings per share denominator (in thousands):				
Average common shares outstanding during the period	10,837	10,780	10,830	10,780
Average unvested Restricted Shares (1)	(49)	(2)	(48)	(2)
Average outstanding dilutive options to acquire common shares (2)	14	24	17	24
Diluted earnings per share denominator	10,802	10,802	10,799	10,802
Basic earnings per share (in dollars):				
Net income	\$ 9.51	\$ 10.75	\$ 18.07	\$ 19.67
Diluted earnings per share (in dollars)				
Net income	\$ 9.49	\$ 10.72	\$ 18.03	\$ 19.61

- (1) Restricted Shares outstanding vest either upon a stated anniversary date or upon the occurrence of a specified event. See Note 15. In accordance with the adoption of FAS No. 123(R), the diluted earnings per share denominator is reduced by the number of Restricted Shares representative of the unamortized compensation cost at June 30, 2007. Such amounts are computed under the treasury stock method.
- (2) The diluted earnings per share denominator for the three and six months ended June 30, 2007 includes the effects of options to acquire an average of 19,875 and 23,100 common shares at an average strike price of \$161.68 and \$160.51 per common share. The diluted earnings per share denominator for the three and six months ended June 30, 2006 includes the effects of options to acquire an average of 33,450 and 33,727 common shares at an average strike price of \$152.89 and \$151.78 per common share.

Note 11. Segment Information

White Mountains has determined that its reportable segments are OneBeacon, White Mountains Re, Esurance and Other Operations. White Mountains has made its segment determination based on consideration of the following criteria: (i) the nature of the business activities of each of the Company’s subsidiaries and affiliates; (ii) the manner in which the Company’s subsidiaries and affiliates are organized; (iii) the existence of primary managers responsible for specific subsidiaries and affiliates; and (iv) the organization of information provided to the Board of Directors.

Significant intercompany transactions among White Mountains’ segments have been eliminated herein. Segment information for all prior periods has been restated for the effect of the Reorganization (See Note 1). Financial information for White Mountains’ segments follows:

Millions	OneBeacon	White Mountains Re	Esurance	Other Operations	Total
Three months ended June 30, 2007					
Earned insurance and reinsurance premiums	\$ 465.0	\$ 306.8	\$ 188.9	\$ —	\$ 960.7
Net investment income	54.6	53.0	7.4	11.7	126.7
Net realized investment gains	57.1	22.2	1.5	8.3	89.1
Other revenue	2.4	(1.9)	3.1	30.5	34.1
Total revenues	579.1	380.1	200.9	50.5	1,210.6
Losses and LAE	283.1	172.8	147.1	(10.9)	592.1
Insurance and reinsurance acquisition expenses	78.3	75.0	50.3	—	203.6
Other underwriting expenses	89.6	29.9	15.9	.8	136.2
General and administrative expenses	2.7	9.6	.1	50.0	62.4

Accretion of fair value adjustment to loss and LAE reserves	4.0	1.5	—	—	5.5
Interest expense on debt	11.3	6.8	—	.2	18.3
Interest expense - dividends and accretion on preferred stock	16.3	—	—	—	16.3
Total expenses	485.3	295.6	213.4	40.1	1,034.4
Pre-tax income	\$ 93.8	\$ 84.5	\$ (12.5)	\$ 10.4	\$ 176.2

Millions	OneBeacon	White Mountains Re	Esurance	Other Operations	Total
Three months ended June 30, 2006					
Earned insurance and reinsurance premiums	\$ 485.3	\$ 342.4	\$ 125.8	\$ —	\$ 953.5
Net investment income	50.9	43.4	4.8	5.3	104.4
Net realized investment gains	38.9	38.7	2.6	26.3	106.5
Other revenue	6.3	2.5	1.8	25.9	36.5
Total revenues	581.4	427.0	135.0	57.5	1,200.9
Losses and LAE	295.6	377.6	89.9	.7	763.8
Insurance and reinsurance acquisition expenses	74.5	80.9	32.3	—	187.7
Other underwriting expenses	86.0	25.1	11.3	.4	122.8
General and administrative expenses	2.3	4.9	—	15.1	22.3
Accretion of fair value adjustment to loss and LAE reserves	5.7	.7	—	—	6.4
Interest expense on debt	11.4	.4	—	.1	11.9
Interest expense - dividends and accretion on preferred stock	14.4	—	—	—	14.4
Total expenses	489.9	489.6	133.5	16.3	1,129.3
Pre-tax income	\$ 91.5	\$ (62.6)	\$ 1.5	\$ 41.2	\$ 71.6

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Millions	OneBeacon	White Mountains Re	Esurance	Other Operations	Total
Six months ended June 30, 2007					
Earned insurance and reinsurance premiums	\$ 933.9	\$ 605.1	\$ 359.7	\$ —	\$ 1,898.7
Net investment income	105.2	101.1	13.6	24.8	244.7
Net realized investment gains	112.0	42.1	2.5	6.4	163.0
Other revenue	5.5	(5.5)	6.1	64.2	70.3
Total revenues	1,156.6	742.8	381.9	95.4	2,376.7
Losses and LAE	571.3	367.4	277.4	(10.7)	1,205.4
Insurance and reinsurance acquisition expenses	156.6	144.6	95.0	—	396.2
Other underwriting expenses	180.5	61.2	30.6	1.6	273.9
General and administrative expenses	5.1	16.2	.2	93.8	115.3
Accretion of fair value adjustment to loss and LAE reserves	8.0	2.6	—	—	10.6
Interest expense on debt	22.7	8.0	—	4.4	35.1
Interest expense - dividends and accretion on preferred stock	32.1	—	—	—	32.1
Total expenses	976.3	600.0	403.2	89.1	2,068.6
Pre-tax income	\$ 180.3	\$ 142.8	\$ (21.3)	\$ 6.3	\$ 308.1

Millions	OneBeacon	White Mountains Re	Esurance	Other Operations	Total
Six months ended June 30, 2006					
Earned insurance and reinsurance premiums	\$ 965.5	\$ 658.0	\$ 231.0	\$ —	\$ 1,854.5
Net investment income	96.0	84.5	8.4	14.0	202.9
Net realized investment gains	66.0	41.2	3.5	24.3	135.0
Other revenue	11.8	6.9	3.9	43.7	66.3
Total revenues	1,139.3	790.6	246.8	82.0	2,258.7
Losses and LAE	599.3	564.2	165.1	(.8)	1,327.8
Insurance and reinsurance acquisition expenses	160.8	151.2	61.3	—	373.3
Other underwriting expenses	169.9	45.5	22.4	.9	238.7
General and administrative expenses	6.7	7.1	—	53.1	66.9
Accretion of fair value adjustment to loss and LAE reserves	11.5	.1	—	—	11.6
Interest expense on debt	22.8	.8	—	—	23.6
Interest expense - dividends and accretion on preferred stock	28.4	—	—	—	28.4
Total expenses	999.4	768.9	248.8	53.2	2,070.3
Pre-tax income	\$ 139.9	\$ 21.7	\$ (2.0)	\$ 28.8	\$ 188.4

Note 12. Investments in Unconsolidated Affiliates

White Mountains' investments in unconsolidated affiliates represent investments in other companies in which White Mountains has a significant voting and economic interest but does not control the entity.

Symetra

White Mountains owns 24% of the common shares of Symetra on a fully converted basis, consisting of 2.0 million common shares and warrants to acquire an additional 1.1 million common shares. White Mountains accounts for its investment in Symetra's common shares using the equity method of accounting and accounts for its Symetra warrants under FAS 133, recording the warrants at fair value with changes in fair value recognized through the income statement as a realized investment gain or loss.

The following table provides summary financial amounts recorded by White Mountains during the six months ended June 30, 2007 and 2006 relating to its investment in Symetra:

Millions	2007			2006		
	Common Shares	Warrants	Total	Common Shares	Warrants	Total
Carrying value of investment in Symetra as of January 1	\$ 249.3	\$ 54.0	\$ 303.3	\$ 263.9	\$ 47.8	\$ 311.7
Equity in earnings of Symetra (1)	10.3	—	10.3	6.8	—	6.8
Net unrealized gains (losses) from Symetra's equity portfolio and other	.5	—	.5	1.8	—	1.8
Net unrealized gains (losses) from Symetra's fixed maturity portfolio	5.9	—	5.9	(56.8)	—	(56.8)
Increase in value of warrants	—	3.7	3.7	—	4.6	4.6
Carrying value of investment in Symetra as of March 31 (2)	266.0	57.7	323.7	215.7	52.4	268.1
Equity in earnings of Symetra (1)	8.3	—	8.3	6.8	—	6.8
Net unrealized gains (losses) from Symetra's equity portfolio and other	.1	—	.1	.2	—	.2
Net unrealized losses from Symetra's fixed maturity portfolio	(40.2)	—	(40.2)	(36.4)	—	(36.4)
Increase in value of warrants	—	4.6	4.6	—	3.5	3.5
Carrying value of investment in Symetra as of June 30 (3)	\$ 234.2	\$ 62.3	\$ 296.5	\$ 186.3	\$ 55.9	\$ 242.2

(1) Equity in earnings is net of tax of \$0.

(2) Includes White Mountains' equity in net unrealized gains and (losses) from Symetra's fixed maturity portfolio of \$1.8 million and \$(32.6) million as of March 31, 2007 and 2006.

(3) Includes White Mountains' equity in net unrealized gains losses from Symetra's fixed maturity portfolio of \$(38.5) million and \$(69.0) million as of June 30, 2007 and 2006.

During the second quarter of 2007, Symetra filed a registration statement on Form S-1 with the Securities and Exchange Commission for a proposed initial public offering. The shares will be offered by existing stockholders.

Delos

White Mountains owns approximately 18% of Delos and accounts for its investment in Delos under the equity method. For the three and six months ended June 30, 2007, White Mountains recorded \$.1 million and \$.4 million of after-tax equity in earnings and \$.2 million and \$.3 million of after-tax equity in unrealized investment gains from its investment in Delos. White Mountains' investment in Delos at June 30, 2007 totaled \$32.9 million.

MSA

On October 31, 2006, White Mountains' investment in Main Street America Holdings, Inc. ("MSA") was restructured. White Mountains received a \$70 million cash dividend from MSA, following which White Mountains sold its 50% common stock investment in MSA to Main Street America Group, Inc. ("the MSA Group") for (i) \$70.0 million in 9.0% non-voting cumulative perpetual preferred stock of the MSA Group, and (ii) \$24.5 million, or 4.9%, of the common stock of the MSA Group. Effective October 31, 2006, White Mountains accounts for its remaining investment in the MSA Group in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities".

Prior to the sale, White Mountains owned 50% of the total common shares outstanding of MSA and accounted for this investment using the equity method of accounting. For the three and six months ended June 30, 2006, White Mountains recorded after-tax net income of \$8.0 million and \$10.2 million from its investment in MSA and \$7.7 million and \$8.9 million of after-tax equity in MSA's unrealized investment losses. As of June 30, 2006, White Mountains' investment in MSA totaled \$169.9 million.

Note 13. Variable Interest Entity

As of June 30, 2007, White Mountains has a \$50 million investment in Pentelia Investment Ltd. ("PIL"), a corporation that invests in insurance-related investment assets. White Mountains has determined that its investment in PIL is a VIE. However, White Mountains is not the primary beneficiary. White Mountains accounts for its interests in PIL as an equity method investment. White Mountains' exposure to loss is limited to the carrying value of its investment in PIL.

Note 14. Retirement and Postretirement Plans

The components of net periodic benefit costs for the three and six months ended June 30, 2007 and 2006 were as follows:

Millions	Pension Benefits					
	Three Months Ended June 30,		Six Months Ended June 30,			
	2007	2006	2007	2006	2007	2006
Service cost	\$.6	\$.3	\$ 1.1	\$.5	\$ 1.1	\$.5
Interest cost	6.6	6.9	13.2	13.8	13.2	13.8

Expected return on plan assets	(6.7)	(7.6)	(13.5)	(15.3)
Amortization of unrecognized loss	.1	—	.2	.1
Net periodic pension cost before settlements, curtailments and special termination benefits	.6	(.4)	1.0	(.9)
Special termination benefits expense (1)	—	.3	—	1.6
Net periodic benefit cost	\$.6	\$ (.1)	\$ 1.0	\$.7

(1) Special termination benefits are payments made from the pension plan when a vested participant terminates employment due to a reduction in force.

OneBeacon anticipates contributing \$2.9 million to the pension plans for 2007. As of June 30, 2007, \$1.7 million in contributions have been made. All of OneBeacon's year to date and expected pension contributions in 2007 relate to non-qualified pension plans for which OneBeacon has established assets held in rabbi trusts.

Note 15. Employee Share-Based Incentive Compensation Plans

Effective January 1, 2006, White Mountains adopted FAS 123R to account for its share-based compensation under the modified prospective method of adoption. Under this method of adoption, FAS 123R applies to new grants of share-based awards, awards modified after the effective date and the remaining portion of the fair value of the unvested awards at the adoption date. The unvested portion of White Mountains' incentive stock options ("Incentive Options"), non-qualified stock options ("Non-Qualified Options"), restricted common share awards ("Restricted Shares") and performance share awards outstanding as of January 1, 2006, as well as subsequent awards, are subject to the fair value measurement and recognition requirements of FAS 123R. Upon adoption of FAS 123R, an estimate of future forfeitures was incorporated into the determination of the compensation cost for performance shares and Restricted Shares. The effect of this change was immaterial.

White Mountains' share-based compensation expense consists primarily of performance share expense. Prior to February 2007, the value of OneBeacon's performance shares was based upon the market price of an underlying White Mountains common share ("WTM Performance Shares"). In February 2007, all of OneBeacon's WTM Performance Shares outstanding were replaced with an equivalent value of performance shares from the OneBeacon Long-Term Incentive Plan (the "OB Incentive Plan") whose value is based upon the market price of an underlying OneBeacon Ltd. common share ("OB Performance Shares").

Share-Based Compensation Based on White Mountains Common Shares

WTM Performance Shares

The following summarizes performance share activity for the three and six months ended June 30, 2007 and 2006 for WTM performance shares granted under the White Mountains Long-Term Incentive Plan (the "WTM Incentive Plan") and WTM phantom performance shares granted under subsidiary plans ("WTM Phantom Share Plans"):

Millions, except share amounts	Three Months Ended June 30,				Six Months Ended June 30,			
	2007		2006		2007		2006	
	Target Performance Shares Outstanding	Accrued Expense	Target Performance Shares Outstanding	Accrued Expense	Target Performance Shares Outstanding	Accrued Expense	Target Performance Shares Outstanding	Accrued Expense
Beginning of period	144,772	\$ 43.7	185,363	\$ 58.9	185,363	\$ 102.4	183,317	\$ 100.5
Payments and deferrals (1)	—	—	—	—	(63,300)	(56.0)	(64,100)	(57.0)
New awards	1,953	—	—	—	53,931	—	71,185	—
Forfeitures and cancellations	(462)	(.1)	—	—	(16,921)	(4.3)	(5,039)	(1.4)
Transfers out (2)	—	—	—	—	(12,810)	(4.4)	—	—
Expense recognized	—	13.5	—	(1.3)	—	19.4	—	15.5
Ending June 30,	<u>146,263</u>	<u>\$ 57.1</u>	<u>185,363</u>	<u>\$ 57.6</u>	<u>146,263</u>	<u>\$ 57.1</u>	<u>185,363</u>	<u>\$ 57.6</u>

(1) WTM Performance share payments in 2007 for the 2004-2006 performance cycle ranged from 145% to 186% of target. WTM Performance share payments in 2006 for the 2003-2005 performance cycle ranged from 142% to 181% of target. Amounts include deposits into White Mountains' deferred compensation plan.

(2) In February 2007, the WTM Performance shares of OneBeacon employees were replaced with an equivalent value of OB Performance Shares issued under the OneBeacon Long-Term Incentive Plan (the "OB Incentive Plan").

If 100% of the outstanding WTM performance shares had been vested on June 30, 2007, the total additional compensation cost to be recognized would have been \$60.3 million, based on June 30, 2007 accrual factors (common share price and payout assumptions).

All WTM performance shares earned for the 2004-2006 and 2003-2005 performance cycles were settled in cash or by deferral into certain non-qualified deferred compensation plans of the Company or its subsidiaries.

The following summarizes WTM performance shares outstanding and accrued WTM performance share expense for performance shares awarded under the WTM Incentive Plan at June 30, 2007 for each performance cycle:

Millions, except share amounts	Target WTM Performance Shares Outstanding	Accrued Expense
Performance cycle:		

2005 - 2007	40,530	\$	24.1
2006 - 2008	50,109		25.5
2007 - 2009	46,728		5.2
Sub-total	137,367		54.8
Assumed forfeitures	(3,435)		(1.3)
Total at June 30, 2007	133,932	\$	53.5

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The following summarizes WTM phantom performance shares outstanding and accrued WTM phantom performance share expense for awards made under the WTM Phantom Share Plans at June 30, 2007 for each performance cycle:

Millions, except share amounts	Target WTM Phantom Performance Shares Outstanding	Accrued Expense
Performance cycle:		
2005 - 2007	3,511	\$ 1.8
2006 - 2008	2,166	1.2
2007 - 2009	6,979	.7
Sub-total	12,656	3.7
Assumed forfeitures	(325)	(.1)
Total at June 30, 2007	12,331	\$ 3.6

Restricted Shares

At June 30, 2007 and 2006, the Company had 54,000 and 10,000 unvested Restricted Shares outstanding under the WTM Incentive Plan. The following outlines the unrecognized compensation cost associated with the outstanding Restricted Share awards made under the WTM Incentive Plan for the three and six months ended June 30, 2007 and 2006:

Millions, except share amounts	Three Months Ended June 30,				Six Months Ended June 30,			
	2007		2006		2007		2006	
	Restricted Shares	Unamortized Grant Date Fair Value	Restricted Shares	Unamortized Grant Date Fair Value	Restricted Shares	Unamortized Grant Date Fair Value	Restricted Shares	Unamortized Grant Date Fair Value
Non-vested, beginning of period,	54,000	\$ 30.3	13,000	\$ 1.4	10,000	\$.3	13,000	\$ 1.9
Granted	—	—	—	—	54,000	31.0	—	—
Vested	—	—	(3,000)	—	(10,000)	—	(3,000)	—
Forfeited	—	—	—	—	—	—	—	—
Expense recognized	—	(1.2)	—	(.4)	—	(2.2)	—	(.9)
Non-vested at June 30,	<u>54,000</u>	<u>\$ 29.1</u>	<u>10,000</u>	<u>\$ 1.0</u>	<u>54,000</u>	<u>\$ 29.1</u>	<u>10,000</u>	<u>\$ 1.0</u>

During the first quarter of 2007, White Mountains made the following grants of Restricted Shares to the Company's Chairman and CEO: (i) 35,000 Restricted Shares that vest in equal annual installments over five years based on continuous service by the employee throughout the award period; (ii) 15,000 Restricted Shares that vest in the event of a change in control of the Company or termination of the employee before January 20, 2012. During the first quarter of 2007, White Mountains also awarded 4,000 Restricted Shares to other employees that cliff vest in February 2010 based on continuous service by the employee throughout the award period. Of the unrecognized compensation cost at June 30, 2007, \$20.5 million is expected to be recognized ratably over the remaining vesting periods and \$8.6 million is expected to be recognized only in the event of a change in control or termination of the Chairman and CEO before January 20, 2012. Upon vesting, all restrictions initially placed upon the common shares lapse.

On January 1, 2006, White Mountains recorded an adjustment of \$1.9 million to reclassify unearned compensation in common shareholders' equity relating to its outstanding Restricted Shares to opening paid-in surplus to reflect the cumulative effect of adoption for FAS 123R.

Non-Qualified Options

In January 2007, the Company issued 200,000 seven-year Non-Qualified Options to the Company's Chairman and CEO that vest in equal annual installments over five years and that have an initial exercise price of \$650 per common share that escalates each year by 5% less the annual regular dividend rate (the "Escalator"). The fair value of the Non-Qualified Options at the grant date was estimated using a closed-form option model using an expected volatility assumption of 29.7%, a risk-free interest rate assumption of 1.4% (or 4.7% less the expected annual regular dividend rate at the date of grant), a forfeiture assumption of 0%, an expected dividend rate assumption of 1.4% and a term assumption of seven years. The fair value of the Non-Qualified Options was \$27.2 million at the grant date and will be recognized ratably over the five year vesting period. The Company recognized \$2.4 million of expense for the six months ended June 30, 2007 associated with its Non-Qualified Options.

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Incentive Options

At June 30, 2007 and 2006, the Company had 14,400 and 33,450 Incentive Options outstanding which were granted to certain key employees on February 28, 2000 (the grant date) under the WTM Incentive Plan. The 81,000 Incentive Options originally granted were issued at an exercise price equal to the market price of the Company's underlying common shares on February 27, 2000. The exercise price escalates by 6% per annum over the life of the Incentive Options. The Incentive Options vest ratably over a ten-year service period. Upon the adoption of FAS 123R, the grant date fair value of the awards as originally disclosed for FAS 123, adjusted for estimated future forfeitures, became the basis for recognition of compensation expense for the Incentive

Options. The fair value of each Incentive Option award at the grant date was estimated using a closed-form option model using an expected volatility assumption of 18.5%, a risk-free interest rate assumption of 6.4% and an expected term of ten years.

The following summarizes the Company's Incentive Option activity for the three and six months ended June 30, 2007 and 2006:

Millions, except share and per share amounts	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Opening balance - outstanding Options	25,350	33,450	29,550	34,280
Forfeited	(2,700)	—	(5,400)	—
Exercised	(8,250)	—	(9,750)	(830)
Ending balance - outstanding Options	14,400	33,450	14,400	33,450
Outstanding Options - exercisable	1,800	8,250	1,800	8,250
Exercise price - outstanding Options at beginning of period	\$ 160.48	\$ 151.40	\$ 158.21	\$ 149.25
Value of Options exercised (1)	\$ 3.5	\$ —	\$ 4.1	\$.3
Exercise price - outstanding Options at June 30,	\$ 162.87	\$ 153.65	\$ 162.87	\$ 153.65

(1) Amount is equal to the number of options exercised multiplied by amount the ending market value exceeds the strike price on the date of exercise.

The total in-the-money value of all outstanding Incentive Options and those Incentive Options currently exercisable at June 30, 2007 was \$6.4 million and \$.8 million. The Incentive Options expire in February 2010. White Mountains expects approximately 4,200 Incentive Options to become exercisable in 2007 and will issue common shares when the Incentive Options are exercised.

Share-Based Compensation Based on OneBeacon Ltd. Common Shares

OB Performance Shares

The following summarizes performance share activity for the three and six months ended June 30, 2007 and 2006 for OB performance shares granted under the OB Incentive Plan:

Millions, except share amounts	Three Months Ended June 30,				Six Months Ended June 30,			
	2007		2006		2007		2006	
	Target Performance Shares Outstanding	Accrued Expense	Target Performance Shares Outstanding	Accrued Expense	Target Performance Shares Outstanding	Accrued Expense	Target Performance Shares Outstanding	Accrued Expense
Beginning of period	1,120,141	\$ 6.3	—	\$ —	—	\$ —	—	\$ —
Payments and deferrals	—	—	—	—	—	—	—	—
New awards	23,674	—	—	—	908,460	—	—	—
Forfeitures and cancellations	(15,978)	(.1)	—	—	(68,820)	(.3)	—	—
Transfers from the WTM Incentive plan	—	—	—	—	288,197	4.4	—	—
Expense recognized	—	4.2	—	—	—	6.3	—	—
Ending June 30,	1,127,837	\$ 10.4	—	\$ —	1,127,837	\$ 10.4	—	\$ —

If 100% of the outstanding OB performance shares had been vested on June 30, 2007, the total additional compensation cost to be recognized would have been \$32.1 million, based on June 30, 2007 accrual factors (common share price and payout assumptions).

The following summarizes OB performance shares outstanding awarded under the OB Incentive Plan at June 30, 2007 for each performance cycle:

Millions, except share amounts	Target OB Performance Shares Outstanding	Accrued Expense
Performance cycle:		
2005 - 2007	122,859	\$ 3.4
2006 - 2008	161,216	3.7
2007 - 2009	872,681	3.4
Sub-total	1,156,756	10.5
Assumed forfeitures	(28,919)	(.1)
Total at June 30, 2007	1,127,837	\$ 10.4

Non-Qualified Options

In November 2006, in connection with its initial public offering, OneBeacon Ltd. issued to its key employees 1,420,000 fixed-price Non-Qualified Options to acquire OneBeacon Ltd. common shares. The Non-Qualified Options have a \$30.00 strike price and vest in equal installments on each of the third, fourth and fifth anniversaries of the date of issuance and have a 5 1/2 year term. For the three and six months ended June 30, 2007, OneBeacon Ltd. recognized \$.3 million and \$.6 million of expense associated with its Non-Qualified Options.

NOTE 16. Subsequent Events

Settlement of pension liability

OneBeacon sponsors a qualified, non-contributory, defined benefit pension plan (the "Plan"). The Plan participants include retirees, terminated vested employees and substantially all employees who were employed as of December 31, 2001 and remain actively employed with OneBeacon. The Plan was curtailed in the fourth quarter of 2002.

On July 11, 2007, OneBeacon settled approximately 80% of Plan liabilities through the purchase of two group annuity contracts for \$398.5 million from Transamerica Life Insurance Company and Hartford Life Insurance Company ("Hartford Life"). Hartford Life will act as the lead administrator. In accordance with SFAS No. 88 "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits", OneBeacon will recognize this partial settlement in the third quarter of 2007. Additionally, the remaining Plan liabilities, which are primarily attributable to Plan participants who remain actively employed by OneBeacon, will be re-measured during the third quarter of 2007.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion contains "forward-looking statements". White Mountains intends statements that are not historical in nature, which are hereby identified as forward-looking statements, to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. White Mountains cannot promise that its expectations in such forward-looking statements will turn out to be correct. White Mountains' actual results could be materially different from and worse than its expectations. See "FORWARD-LOOKING STATEMENTS" for specific important factors that could cause actual results to differ materially from those contained in forward-looking statements.

The following discussion also includes four non-GAAP financial measures, adjusted comprehensive net income, fully diluted tangible book value per share, tangible capital and OneBeacon's adjusted book value per share, that have been reconciled to their most comparable GAAP financial measures (see page 39). White Mountains believes these measures to be more relevant than comparable GAAP measures in evaluating White Mountains' financial performance and condition.

RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2007 AND 2006

Overview

White Mountains ended the second quarter of 2007 with a fully diluted tangible book value per share of \$422, an increase of 2.2% for the quarter, 4.9% for the year to date and 21.0% for the past twelve months, including dividends. White Mountains' adjusted comprehensive net income was \$90 million for the second quarter of 2007 compared to \$50 million in the second quarter of 2006, and \$193 million for the first six months of 2007 compared to \$166 million for the first six months of 2006.

OneBeacon reported a combined ratio of 97% in both the second quarter and the first six months of 2007 compared to a 94% and 96% in the second quarter and first six months of 2006. White Mountains Re reported a combined ratio of 90% and 95% in the second quarter and first six months of 2007 compared to 141% and 116% in the second quarter and first six months of 2006. Esurance reported a combined ratio of 113% and 112% in the second quarter and first six months of 2007 compared to 106% and 108% in the second quarter and first six months of 2006, while increasing its written premiums 42% and 45% over the second quarter and first six months of 2006. White Mountains' GAAP pre-tax total return on invested assets was 1.6% and 3.5% for the second quarter and first six months of 2007 compared to 1.6% and 2.8% for the second quarter and first six months of 2006.

Fully Diluted Tangible Book Value Per Share

The following table presents the Company's fully diluted tangible book value per share and reconciles this non-GAAP measure to the most comparable GAAP measure.

	June 30, 2007	March 31, 2007	Dec. 31, 2006	June 30, 2006
Book value per share numerators (in millions):				
Common shareholders' equity	\$ 4,575.3	\$ 4,542.9	\$ 4,455.3	\$ 3,864.3
Benefits to be received from share obligations under employee benefit plans	2.3	4.1	4.7	5.1
Remaining accretion of subsidiary preferred stock to face value	(29.3) (1)	(35.5) (1)	(41.8) (1)	(72.7)
Book value per share numerator	4,548.3	4,511.5	4,418.2	3,796.7
Equity in net unrealized (gains) losses from Symetra's fixed maturity portfolio	38.5	(1.8)	4.1	69.0
Goodwill	(28.4)	(29.2)	(32.5)	(25.2)
Fully diluted tangible book value per share numerator	<u>\$ 4,558.4</u>	<u>\$ 4,480.5</u>	<u>\$ 4,389.8</u>	<u>\$ 3,840.5</u>
Book value per share denominators (in thousands of shares):				
Common shares outstanding	10,842.6	10,833.8	10,782.8	10,780.1
Unearned restricted shares	(50.6)	(52.7)	—	—
Share obligations under employee benefit plans	14.4	25.3	29.5	33.4
Fully diluted tangible book value per share denominator	<u>10,806.4</u>	<u>10,806.4</u>	<u>10,812.3</u>	<u>10,813.5</u>
Book value per share	\$ 420.90	\$ 417.47	\$ 408.62	\$ 351.11
Fully diluted tangible book value per share	<u>\$ 421.83</u>	<u>\$ 414.61</u>	<u>\$ 406.00</u>	<u>\$ 355.16</u>

(1) Remaining adjustment of subsidiary preferred stock to face value, which is representative of White Mountains' ownership interest in OneBeacon Ltd. of 71.7%, 71.8% and 72.4% as of June 30, 2007, March 31, 2007 and December 31, 2006, respectively.

Review of Consolidated Results

White Mountains' consolidated financial results for the three and six months ended June 30, 2007 and 2006 follow:

Millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Gross written premiums	\$ 1,045.6	\$ 1,093.6	\$ 2,247.6	\$ 2,322.5
Net written premiums	\$ 949.9	\$ 984.7	\$ 2,001.4	\$ 2,028.7
Revenues				
Earned insurance and reinsurance premiums	\$ 960.7	\$ 953.5	\$ 1,898.7	\$ 1,854.5
Net investment income	126.7	104.4	244.7	202.9
Net realized investment gains	89.1	106.5	163.0	135.0
Other revenue	34.1	36.5	70.3	66.3
Total revenues	1,210.6	1,200.9	2,376.7	2,258.7
Expenses				
Losses and LAE	592.1	763.8	1,205.4	1,327.8
Insurance and reinsurance acquisition expenses	203.6	187.7	396.2	373.3
Other underwriting expenses	136.2	122.8	273.9	238.7
General and administrative expenses	62.4	22.3	115.3	66.9
Accretion of fair value adjustment to loss and LAE reserves	5.5	6.4	10.6	11.6
Interest expense - debt	18.3	11.9	35.1	23.6
Interest expense - dividends and accretion on preferred stock	16.3	14.4	32.1	28.4
Total expenses	1,034.4	1,129.3	2,068.6	2,070.3
Pre-tax income	\$ 176.2	\$ 71.6	\$ 308.1	\$ 188.4
Income tax benefit (provision)	(55.8)	29.3	(87.0)	2.4
Equity in earnings of unconsolidated affiliates	8.6	14.8	19.1	23.8
Minority interest	(26.4)	.1	(45.4)	(2.8)
Net income	\$ 102.6	\$ 115.8	\$ 194.8	\$ 211.8
Other comprehensive loss	(52.8)	(102.6)	(35.9)	(138.7)
Comprehensive net income	\$ 49.8	\$ 13.2	\$ 158.9	\$ 73.1
Change in net unrealized (gains) losses from Symetra's fixed maturity portfolio	40.3	36.4	34.4	93.2
Adjusted comprehensive net income	\$ 90.1	\$ 49.6	\$ 193.3	\$ 166.3

Consolidated Results – Three and Six Months Ended June 30, 2007 versus Three and Six Months Ended June 30, 2006

White Mountains' total revenues increased by 1% to \$1,211 million and 5% to \$2,377 million in the second quarter and first six months of 2007, respectively, compared to the second quarter and first six months of 2006. Earned premiums were relatively flat for the 2007 periods as compared to 2006, as increases at Esurance for the second quarter and first six months of 2007 were substantially offset by decreases at OneBeacon and White Mountains Re for both periods. Net investment income increased 21% in both the second quarter and first six months of 2007 compared to the second quarter and first six months of 2006. Net realized gains decreased by 16% to \$89 million in the second quarter and increased by 21% to \$245 million in the first six months of 2007 compared to the second quarter and first six months of 2006. See "Summary of Investment Results" below for a discussion of net investment income and net realized gains. Other revenues decreased by 6% to \$34 million in the second quarter of 2007 and increased by 6% to \$70 million in the first six months of 2007. Other revenues included \$25 million and \$46 million for the second quarter and first six months of 2007 related to the consolidation of certain limited partnership investments compared to \$17 million and \$31 million in the 2006 periods. Other revenues in both 2006 periods included a gain of \$8 million from the settlement of a lawsuit in which White Mountains was a plaintiff.

White Mountains' total expenses decreased by 8% to \$1,034 million in the second quarter and were relatively flat at \$2,069 million for the first six months of 2007 compared to the second quarter and first six months of 2006. Loss and LAE decreased by 23% and 9% in the second quarter and first six months of 2007 compared to the second quarter and first six months of 2006 as White Mountains experienced \$195 million and \$205 million of net unfavorable development on prior accident year loss reserves during the three and six months ended June 30, 2006, which was primarily related to adverse development on loss and LAE reserves for hurricanes Katrina, Rita and Wilma. General and administrative expenses increased by 180% and 72% in the second quarter and first six months of 2007 compared to the second quarter and first six months of 2006, due to higher compensation expenses and higher expenses related to the consolidation of certain limited partnership investments, which correspond with the increase in other revenues described above.

The income tax provision related to pre-tax income for the second quarter and first six months of 2007 represented an effective tax rate of 32% and 28%, which was lower than the U.S. statutory rate of 35% primarily due to income generated in jurisdictions other than the United States. Although the majority of the Company's worldwide operations are taxed in the United States, the Company is domiciled in Bermuda and has subsidiaries domiciled in several countries. Earnings or losses incurred by non-U.S. companies are generally subject to a lower effective tax rate than that imposed by the United States.

I. Summary of Operations By Segment

White Mountains conducts its operations through four segments: (1) OneBeacon, (2) White Mountains Re, (3) Esurance and (4) Other Operations.

In connection with OneBeacon's initial public offering (the "OneBeacon Offering"), White Mountains undertook an internal reorganization. Certain businesses that are unrelated to the ongoing operations of OneBeacon Ltd. and were previously presented in the OneBeacon segment have been reclassified to the Other Operations segment. In addition, certain businesses previously presented in the Other Operations segment that are now part of OneBeacon Ltd.'s

ongoing operations, including Fund American Enterprises Holdings, Inc. (“FAEH”) and Fund American Companies, Inc. (“Fund American”), the legal entities that issued the mandatorily redeemable preferred stock and, in the case of Fund American, issued the \$700 million senior unsecured notes (the “FAC Senior Notes”), were reclassified to the OneBeacon segment. Segment information for all prior periods has been restated for the effect of the reorganization.

White Mountains manages all of its investments through its wholly-owned subsidiary, WM Advisors, therefore, a discussion of White Mountains’ consolidated investment operations is included after the discussion of operations by segment. White Mountains’ segment information is presented in Note 11 to the Consolidated Financial Statements.

OneBeacon

Financial results for OneBeacon for the three and six months ended June 30, 2007 and 2006 follow:

Millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Gross written premiums	\$ 545.9	\$ 542.9	\$ 1,040.2	\$ 1,043.5
Net written premiums	\$ 484.8	\$ 515.5	\$ 925.1	\$ 989.9
Earned insurance and reinsurance premiums	\$ 465.0	\$ 485.3	\$ 933.9	\$ 965.5
Net investment income	54.6	50.9	105.2	96.0
Net realized investment gains	57.1	38.9	112.0	66.0
Other revenue	2.4	6.3	5.5	11.8
Total revenues	579.1	581.4	1,156.6	1,139.3
Losses and LAE	283.1	295.6	571.3	599.3
Insurance and reinsurance acquisition expenses	78.3	74.5	156.6	160.8
Other underwriting expenses	89.6	86.0	180.5	169.9
General and administrative expenses	2.7	2.3	5.1	6.7
Accretion of fair value adjustment to loss and LAE reserves	4.0	5.7	8.0	11.5
Interest expense on debt	11.3	11.4	22.7	22.8
Interest expense - dividends and accretion of preferred stock	16.3	14.4	32.1	28.4
Total expenses	485.3	489.9	976.3	999.4
Pre-tax income	\$ 93.8	\$ 91.5	\$ 180.3	\$ 139.9

The following table presents OneBeacon’s adjusted book value per common share and reconciles this non-GAAP measure to the most comparable GAAP measure.

(millions, except per share amounts)	June 30, 2007	March 31, 2007	Dec. 31, 2006
OneBeacon book value per share numerators:			
OneBeacon common shareholders’ equity	\$ 1,861.3	\$ 1,825.7	\$ 1,777.2
Remaining accretion of subsidiary preferred stock to face value	(40.8)	(49.5)	(57.7)
Adjusted OneBeacon common shareholders’ equity	1,820.5	1,776.2	1,719.5
OneBeacon Ltd. common shares outstanding (1)	100.0	100.0	100.0
OneBeacon book value per common share	\$ 18.61	\$ 18.26	\$ 17.77
OneBeacon adjusted book value per common share	\$ 18.21	\$ 17.76	\$ 17.20
Growth in adjusted book value per common share, including dividends, in the quarter		3.7%	
Growth in adjusted book value per common share, including dividends, year to date		8.3%	

(1) OneBeacon Ltd. has paid quarterly dividends of \$.21 per common share beginning in March 2007.

The following tables provide GAAP ratios, net written premiums and earned insurance premiums for OneBeacon’s ongoing businesses and in total for the three and six months ended June 30, 2007 and 2006:

	Three Months Ended June 30, 2007					
	Loss	GAAP Ratios			Net Premiums	
		Expense	Combined		Written	Earned
Specialty	57%	32%	89%	\$ 110.8	\$ 108.2	
Commercial	57	37	94	193.6	176.4	
Personal (1)	63	36	99	180.4	180.5	
Total (2)	61%	36%	97%	\$ 484.8	\$ 465.0	

	Three Months Ended June 30, 2006					
	Loss	GAAP Ratios			Net Premiums	
		Expense	Combined		Written	Earned
Specialty	58%	31%	89%	\$ 105.6	\$ 108.0	
Commercial	58	38	96	195.7	171.0	
Personal (1)	61	29	90	217.4	209.7	
Total (2)	61%	33%	94%	\$ 515.4	\$ 485.3	

Six Months Ended June 30, 2007

	GAAP Ratios			Net Premiums	
	Loss	Expense	Combined	Written	Earned
Specialty	57%	32%	89%	\$ 207.6	\$ 215.2
Commercial	56	37	93	364.2	348.3
Personal (1)	64	37	101	353.2	370.3
Total (2)	61%	36%	97%	\$ 925.1	\$ 933.9

	Six Months Ended June 30, 2006			Net Premiums	
	Loss	Expense	Combined	Written	Earned
Specialty	56%	31%	87%	\$ 207.6	\$ 210.0
Commercial	59	38	97	362.5	336.3
Personal (1)	64	31	95	419.8	419.2
Total (2)	62%	34%	96%	\$ 989.9	\$ 965.5

(1) Includes results of consolidated reciprocals.

(2) Includes results from runoff operations and eliminations between underwriting units.

OneBeacon Results - Three Months Ended June 30, 2007 versus Three Months Ended June 30, 2006

OneBeacon ended the second quarter of 2007 with an adjusted book value per share of \$18.21 reflecting a 3.7% increase for the second quarter 2007, including dividends. OneBeacon's pre-tax income for the second quarter of 2007 was \$94 million compared to \$92 million for the second quarter of 2006 and its GAAP combined ratio was 97% for the second quarter 2007 compared to 94% for the second quarter of 2006.

Specialty lines. Net written premiums for specialty lines increased by 5% to \$111 million in the second quarter of 2007 as compared to \$106 million in the second quarter of 2006. Excluding the Agri business, the renewal rights of which were sold in the third quarter of 2006, net written premiums increased by 34% compared to the second quarter of 2006. This increase was driven by \$15 million in net written premium in Accident and Health ("A&H") business, which commenced operations in 2007, a \$7 million increase in net written premium at OneBeacon Professional Partners ("OBPP") and a \$6 million increase in net written premium at International Marine Underwriters ("IMU").

The specialty lines combined ratio was 89% for both the second quarter of 2007 and 2006. The loss and LAE ratio decreased 1 point in the second quarter of 2007 to 57% compared with 58% in the prior year period. The loss and LAE ratio in the second quarter of 2007 included 5 points of favorable development on prior accident year losses compared to 1 point in the second quarter of 2006. This favorable impact was partially offset by a 5 point increase in current accident year losses in the second quarter of 2007 compared to the second quarter of 2006, primarily due to an unfavorable change in current accident year losses at IMU, which had extraordinarily low case incurred loss activity in the second quarter of 2006 versus a normal flow of case incurred losses in the second quarter of 2007. The expense ratio for the second quarter of 2007 increased 1 point to 32% compared to 31% in the prior year period primarily due to costs associated with starting two new business in specialty lines, A&H and Government Risk Solutions.

Commercial lines. Net written premiums for commercial lines decreased by 1% to \$194 million in the second quarter of 2007 compared to \$196 million in the second quarter of 2006. This decrease was due to an \$11 million decrease in net written premiums in the middle market division compared to the prior year period, reflecting the more competitive marketplace, as well as lower premiums at OneBeacon Specialty Property ("OBSP"). Partially offsetting this decrease was a \$9 million increase in net written premiums to \$36 million in the small business division principally driven by our small business package products due to the expansion into four new states (Missouri, Minnesota, Texas and Nevada).

The commercial lines combined ratio for the second quarter of 2007 was 94% compared to 96% in the second quarter of 2006 due primarily to a decreased loss and LAE ratio, as well as a slight decrease in the expense ratio. The loss and LAE ratio decreased to 57% from 58% in the second quarter of 2006, primarily due to the impact of adverse development on prior accident year catastrophe losses in the second quarter of 2006. The second quarter of 2006 included 7 points of prior accident year development on catastrophe losses, of which 6 points related to hurricane Katrina at OBSP. The second quarter of 2007 included 1 point in adverse development on prior accident year catastrophe losses. Partially offsetting these decreases were higher current accident year non-catastrophe losses in the second quarter of 2007 compared with the prior year period. The expense ratio decreased to 37% from 38% in the second quarter of 2006 primarily due to 2 points of lower policy acquisition expenses as a result of an increased deferral rate of commercial lines policy acquisition costs due to the expansion into new states. The second quarter of 2006 included the benefit of 2 points related to the favorable settlement of a state franchise tax audit.

Personal lines. Net written premiums for personal lines decreased by 17% to \$180 million in the second quarter of 2007 compared to \$217 million in the second quarter of 2006. The decrease was principally attributable to reduced writings at AutoOne due to continued significant decreases in New York's assigned risk pool and increased market competition in the voluntary market. With respect to the New York assigned risk pool, market trends indicate that assigned risk volumes are expected to decline to approximately \$150 million in 2007, down from \$240 million in 2006, \$383 million in 2005 and \$629 million in 2004. OneBeacon expects a reduction in AutoOne's premium volume corresponding to these trends. In traditional personal lines, net written premiums decreased 5%, primarily due to an increasingly competitive auto market, state-mandated rate decreases in Massachusetts and higher reinsurance costs.

The personal lines combined ratio for the second quarter of 2007 was 99% compared to 90% for the second quarter of 2006. The increase in the combined ratio was due to increases in the both the loss and LAE and expense ratios. The loss and LAE ratio increased to 63% compared to 61% for the second quarter of 2006, mainly due to higher than average large loss activity and higher catastrophes in the second quarter of 2007. The second quarter of 2007 included 3 points of current accident year catastrophe losses compared with less than 1 point of catastrophe losses in the second quarter of 2006. The expense ratio increased to 36%, from 29% in the second quarter of 2006. The 2006 period included the benefit of 2 points from a reduction of contingent commission accruals and 2 points related to the favorable settlement of a state franchise tax audit. The second quarter of 2007 included the adverse effect of spreading certain fixed costs over a lower premium base.

OneBeacon Results - Six Months Ended June 30, 2007 versus Six Months Ended June 30, 2006

At June 30, 2007, OneBeacon's adjusted book value per share was \$18.21 reflecting growth of 8.3% for the first six months of 2007, including dividends. OneBeacon's pre-tax income for the first six months of 2007 was \$180 million compared to \$140 million for the second quarter of 2006 and its GAAP combined ratio was 97% for the second quarter 2007 compared to 96% for the second quarter of 2006.

Specialty lines. Net written premiums for specialty lines were \$208 million for both the first six months of 2007 and 2006. Excluding the Agri business, the renewal rights of which were sold in the third quarter of 2006, net written premiums increased by 27%. This increase was primarily due to a \$17 million increase in specialty liability products at OneBeacon Professional Partners to \$104 million, principally driven by providers excess, long-term care, lawyers professional liability and hospital professional liability products, \$15 million in A&H business, which commenced operations in 2007, and an \$11 million increase to \$85 million at IMU, driven by hull and yacht business.

The specialty lines combined ratio for the first six months of 2007 was 89% compared to 87% for the first six months of 2006. The loss and LAE ratio increased 1 point in the first six months of 2007 to 57% compared with 56% in the prior year period mainly due to 2 points of large current accident year losses in the Agri run-off business, partially offset by 6 points of favorable development on prior accident year losses. The first six months of 2006 included 3 points of favorable development on prior accident years. The additional unfavorable change in the loss ratio in 2007 is related to the mix shift in OneBeacon's portfolio as the Agri business runs off. OneBeacon's other specialty lines businesses typically have a higher loss ratio, but lower expense ratio than the Agri book.

Commercial lines. Net written premiums for commercial lines was relatively flat at \$364 million in the first six months of 2007 compared to \$363 million in the first six months of 2006. A \$19 million increase to \$70 million in the small business division principally driven by our small business package products was partially offset by a \$17 million decrease in the middle market division to \$294 million, reflecting the more competitive market place, as well as lower premiums at OBSP.

The commercial lines combined ratio for the first six months of 2007 decreased to 93%, from 97% in the first six months of 2006, due to decreases in both the loss and LAE ratio and the expense ratio. The loss and LAE ratio decreased to 56% from 59% in the first six months of 2006, primarily due to more favorable development on prior accident year losses in the first six months of 2007, partially offset by a 4 point increase in the current accident year loss ratio. The first six months of 2007 included 3 points of net favorable development on prior accident year losses, while the first six months of 2006 included 4 points of net adverse development on prior accident year losses, driven by adverse development on hurricane Katrina losses at OBSP. The expense ratio decreased to 37% from 38% in the first six months of 2006 primarily due to 2 points of lower policy acquisition expenses as described above.

Personal lines. Net written premiums for personal lines decreased by 16% to \$353 million in the first six months of 2007 compared to \$420 million in the first six months of 2006. The decrease was principally attributable to reduced writings at AutoOne due to continued significant decreases in New York's assigned risk pool and increased competition in the voluntary market, as described above. The Company expects a reduction in AutoOne's premium volume reflective of these trends. In traditional personal lines, net written premium decreased 4% due to an increasingly competitive auto market, state-mandated rate decreases in Massachusetts and higher reinsurance costs.

The personal lines combined ratio for the first six months of 2007 was 101% compared to 95% for the first six months of 2006. The increase in the combined ratio was due to an increase in the expense ratio to 37% from 31% in the first six months of 2006. The 2006 period included the benefit of 1 point from a reduction of contingent commission accruals and 1 point related to the favorable settlement of a state franchise tax audit. The first six months of 2007 included the adverse effect of spreading certain fixed costs over a lower premium base. The loss and LAE ratio was relatively flat at 64% for the first six months of 2007. The first six months of 2007 included 1 point of favorable development on prior accident years, while the first six months of 2006 included 2 points of adverse development on prior accident years. Offsetting this decrease was higher than average large loss activity in the first six months of 2007, as well as 1 point of higher catastrophe losses as compared to the first six months of 2006.

White Mountains Re

Financial results and GAAP combined ratios for White Mountains Re for the three and six months ended June 30, 2007 and 2006 follow:

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Gross written premiums	\$ 312.9	\$ 419.2	\$ 811.8	\$ 1,005.6
Net written premiums	\$ 279.4	\$ 338.5	\$ 683.0	\$ 767.2
Earned insurance and reinsurance premiums	\$ 306.8	\$ 342.4	\$ 605.1	\$ 658.0
Net investment income	53.0	43.4	101.1	84.5
Net realized investment gains	22.2	38.7	42.1	41.2
Other revenue	(1.9)	2.5	(5.5)	6.9
Total revenues	380.1	427.0	742.8	790.6
Losses and LAE	172.8	377.6	367.4	564.2
Insurance and reinsurance acquisition expenses	75.0	80.9	144.6	151.2
Other underwriting expenses	29.9	25.1	61.2	45.5
General and administrative expenses	9.6	4.9	16.2	7.1
Accretion of fair value adjustment to losses and LAE reserves	1.5	.7	2.6	.1
Interest expense on debt	6.8	.4	8.0	.8

Total expenses	295.6	489.6	600.0	768.9
Pre-tax income (loss)	\$ 84.5	\$ (62.6)	\$ 142.8	\$ 21.7
GAAP ratios:				
Losses and LAE	56%	110%	61%	86%
Expense	34%	31%	34%	30%
Total Combined	<u>90%</u>	<u>141%</u>	<u>95%</u>	<u>116%</u>

White Mountains Re Results - Three Months Ended June 30, 2007 versus Three Months Ended June 30, 2006

White Mountains Re's pre-tax income in the second quarter of 2007 was \$85 million and its combined ratio was 90% compared to a pre-tax loss of \$63 million and a combined ratio of 141% for the second quarter of 2006. The combined ratio for the second quarter of 2007 included \$12 million, or 4 points, of pre-tax catastrophe losses, net of reinsurance and reinstatement premiums, primarily from the floods that occurred in the United Kingdom. These pre-tax catastrophe losses were more than offset by \$18 million of favorable development mainly from the recent underwriting years on property lines that were not impacted by the catastrophes. The combined ratio for the second quarter of 2006 included net adverse development of \$179 million, or 52 points, which consisted of \$50 million in adverse development on hurricanes Katrina, Rita and Wilma and a charge of \$137 million arising from the Olympus reimbursement (described below), primarily offset by favorable development of \$8 million from prior underwriting years.

In the second quarter of 2007, gross written premiums decreased by 25% to \$313 million and net written premiums decreased by 17% to \$279 million compared to the second quarter of 2006. Excluding written premiums from Sirius America, which White Mountains Re sold during the third quarter of 2006, gross written premiums decreased by \$74 million, or 18%, and net written premiums decreased by \$43 million, or 13%, mainly due to a reduction in property and accident and health business. The decrease in property business was due to changing pricing, terms, and conditions, which no longer meet White Mountains Re's underwriting guidelines and increased ceding company retentions. The decrease in accident and health business is primarily due to the effects of a refinement in Sirius' written premium estimation methodology relating to their direct business, which was instituted during the second quarter of 2006. This refinement did not have a significant impact on White Mountains Re's results.

Net investment income in the second quarter of 2007 increased by 22% to \$53 million over the prior period mainly due to an increase in invested assets from the transfer of White Mountains Re's investment in Symetra to White Mountains for cash in December 2006 and capital contributions from White Mountains in June 2006, as well as higher investment yields. Net realized gains in the second quarter of 2007 decreased by 42% to \$22 million from the second quarter of 2006, which included a realized gain on the redemption of a private equity investment, \$11 million of which was recorded in this segment.

Other revenues decreased by \$4 million from the second quarter of 2006 to 2007. The decrease was primarily due to \$3 million in realized foreign exchange losses in the second quarter of 2007.

In May 2007, WMRe Group issued \$250 million non-cumulative perpetual preference shares and received \$246 million of proceeds, net of \$4 million of issuance costs and commissions. Holders of the Preference Shares receive dividends on a non-cumulative basis only when, as and if declared by White Mountains Re at a fixed dividend rate of 7.506% for the period from issuance until June 30, 2017 and a variable dividend rate thereafter. The Preference Shares are redeemable only at the option of White Mountains Re.

White Mountains Re's interest expense increased by \$6 million in the second quarter of 2007, mainly due to interest on the Senior Notes that White Mountains Re issued during the first quarter 2007.

Olympus reimbursement. In June 2006, following the receipt of new claims information reported from several ceding companies and subsequent reassessment of the ultimate loss exposures, White Mountains Re increased its gross loss estimates for hurricanes Katrina, Rita and Wilma by \$201 million. This was mostly on Folksamerica Re's off-shore energy and marine exposures attributable to retrocessional arrangements and business interruption coverage. As a result, Folksamerica Re set its gross loss and LAE reserves as of June 30, 2006 on offshore energy and marine exposures for hurricanes Katrina and Rita at full contract limits. Under the terms of Folksamerica Re's 2005 quota share reinsurance treaty with Olympus, \$139 million of the loss, net of reinstatement premiums, from hurricanes Katrina, Rita and Wilma recorded in the second quarter of 2006 was ceded to Olympus. However, FHC entered into an indemnity agreement with Olympus, under which it agreed to reimburse Olympus for up to \$137 million of these losses, which were recorded as loss and LAE during the second quarter of 2006.

White Mountains Re Results - Six Months Ended June 30, 2007 versus Six Months Ended June 30, 2006

White Mountains Re's pre-tax income in the first six months of 2007 was \$143 million and its combined ratio was 95% compared to pre-tax income of \$22 million and a combined ratio of 116% for the first six months of 2006. The combined ratio for first six months of 2007 included \$60 million, or 10 points, of pre-tax catastrophe losses, net of reinsurance and reinstatement premiums, primarily from European windstorms Kyrill and Hanno in the first quarter of 2007 and from the floods that impacted the United Kingdom during second quarter 2007. These catastrophes were partially offset by \$26 million of net favorable development from prior underwriting years on property lines. The combined ratio for the first six months of 2006 included net adverse development of \$197 million, or 30 points, which consisted of \$86 million in adverse development on hurricanes Katrina, Rita and Wilma and a charge of \$137 million arising from the Olympus reimbursement, offset by favorable development of \$26 million from prior underwriting years. The favorable development was mainly from the continued positive run-off of the 2005 underwriting year on property lines. White Mountains Re also reduced its unallocated loss adjustment expense reserve by approximately \$7 million during the first quarter of 2006 as a result of an evaluation of the remaining run-off contracts at Scandinavian Re, which reduced the combined ratio for the first six months of 2006 by one point.

For the first six months of 2007, gross written premiums decreased by 19% to \$812 million and net written premiums decreased by 11% to \$683 million compared to the first six months of 2006. Excluding written premiums from Sirius America, which White Mountains Re sold during the third quarter of 2006, gross written premiums decreased by \$121 million, or 13%, and net written premiums decreased by \$51 million, or 7%, due mainly to reductions in property, casualty and accident and health lines of business. The decrease in property and casualty business was due to changing pricing, terms, and conditions, which no longer meet White Mountains Re's underwriting guidelines and increased ceding company retentions. The decrease in accident and health business is primarily due to the effects of a refinement in Sirius' written premium estimation methodology relating to their direct business, which was instituted during the second quarter of 2006. This refinement did not have a significant impact on White Mountains Re's results. These decreases in net

written premium were partially offset by the non-renewal in 2007 of a series of ceded property Second Event Industry Loss Warranty Covers that White Mountains Re had purchased during the first quarter 2006. White Mountains Re ceded approximately \$20 million in premiums related to the Second Event Industry Loss Warranty Covers in the first quarter 2006.

Net investment income in the in the first six months of 2007 increased by 20% to \$101 million compared to the prior period mainly due to the same factors that contributed to the three month increase described above.

Other revenues decreased by \$12 million from the first six months of 2006 to the first six months of 2007, primarily due to lower fee income on reinsurance placements referred to Olympus and Helicon and \$9 million in realized foreign exchange losses for the first six months of 2007. White Mountains Re recognized fee income of \$7 million from Olympus and Helicon for the first six months of 2007, \$3 million of which was recorded as other revenues compared to \$13 million of fee income from Olympus and Helicon for the first six months of 2006, \$5 million of which was recorded as other revenues. The decrease in fee income was primarily due to a decline in the amounts ceded under this arrangement.

In March 2007, White Mountains Re issued \$400 million face value of senior unsecured notes that have an annual effective yield of 6.5% for net proceeds of \$392 million. In anticipation of the issuance of the WMRe Senior Notes, White Mountains Re entered into an interest rate lock agreement to hedge its interest rate exposure and recorded a \$2 million loss in accumulated other comprehensive income related to this agreement, which is being amortized into interest expense over the life of the WMRe Senior Notes. White Mountains Re deferred \$4 million in expenses related to the issuance of the WMRe Senior Notes (including a \$3 million underwriting discount), which are also being recognized into interest expense over the life of the WMRe Senior Notes.

For the six months ended, June 30, 2007, White Mountains Re's interest expense increased by \$7 million, primarily due to the interest on the WMRe Senior Notes.

Esurance

Financial results and GAAP ratios for Esurance for the three and six months ended June 30, 2007 and 2006 follow:

(\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Gross written premiums	\$ 186.8	\$ 131.6	\$ 395.6	\$ 273.5
Net written premiums	\$ 185.7	\$ 130.7	\$ 393.4	\$ 271.6
Earned insurance and reinsurance premiums	\$ 188.9	\$ 125.8	\$ 359.7	\$ 231.0
Net investment income	7.4	4.8	13.6	8.4
Net realized gains on investments	1.5	2.6	2.5	3.5
Other revenue	3.1	1.8	6.1	3.9
Total revenues	200.9	135.0	381.9	246.8
Losses and LAE	147.1	89.9	277.4	165.1
Insurance and reinsurance acquisition expenses	50.3	32.3	95.0	61.3
Other underwriting expenses	15.9	11.3	30.6	22.4
General and administrative expenses	.1	—	.2	—
Total expenses	213.4	133.5	403.2	248.8
Pre-tax income (loss)	\$ (12.5)	\$ 1.5	\$ (21.3)	\$ (2.0)
GAAP ratios:				
Losses and LAE	78%	71%	77%	72%
Expense	35%	35%	35%	36%
Total Combined	113%	106%	112%	108%

Esurance reported a pre-tax loss of \$13 million for the second quarter of 2007 compared with pre-tax income of \$2 million for the second quarter of 2006. Esurance's pre-tax loss for the first six months of 2007 was \$21 million compared to a pre-tax loss of \$2 million for the first six months of 2006. Esurance's combined ratio of 113% and 112% for the three and six months ended June 30, 2007 was seven and four points higher, respectively, than the comparable periods in the prior year.

Esurance's loss and LAE ratio increased to 78% and 77% for the second quarter and first six months of 2007, up from 71% and 72% for the comparable periods in 2006. Unfavorable loss and LAE reserve development added 4 points and 2 points to the loss ratios for the second quarter and first six months of 2007, respectively, as reserves were increased for bodily injury claims from prior accident years. The expense ratio was consistent at 35% for both the quarter and first six months of 2007 compared to 35% and 36% for the comparable prior year periods. The 1 point improvement in the first half of 2007 compared to the first six months of 2006 was due to a decrease in the other underwriting expense ratio.

Esurance's net written premiums increased by 42% and 45% for the second quarter and first six months of 2007, to \$186 million and \$393 million, respectively compared to the prior year periods. As of June 30, 2007, Esurance's in-force policy count was 456,786, a 51% increase over June 30, 2006. The rate of growth in premium and policies has slowed compared to 2006, due to a more competitive environment. Many of Esurance's competitors have reduced premium rates and continued to aggressively spend on advertising.

With the addition of Alabama, Kentucky, and Louisiana during the second quarter of 2007, Esurance now writes business in 28 states. These states comprise 85% of total written premiums for personal automobile insurance in the U.S. For the quarter ended June 30, 2007, Esurance's largest states were California (22% of direct premium written), Florida (16%), New York (7%), Texas (6%) and Michigan (5%).

Other Operations

Other Operations consists of the operations of the Company, the Company's intermediate holding companies, White Mountains' weather risk management and variable annuity reinsurance businesses, the consolidated results of the Tuckerman Capital, LP and Tuckerman Capital II, LP funds, the International American Group and White Mountains' investments in Symetra, Delos and Montpelier Re (until its disposition in May 2007).

A summary of White Mountains' financial results from its Other Operations segment for the three and six months ended June 30, 2007 and 2006 follows:

Millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Gross written premiums	\$ —	\$ —	\$ —	\$ —
Net written premiums	\$ —	\$ —	\$ —	\$ —
Earned insurance and reinsurance premiums	\$ —	\$ —	\$ —	\$ —
Net investment income	11.7	5.3	24.8	14.0
Net realized investment gains	8.3	26.3	6.4	24.3
Other revenue	30.5	25.9	64.2	43.7
Total revenues	50.5	57.5	95.4	82.0
Losses and LAE	(10.9)	.7	(10.7)	(.8)
Insurance and reinsurance acquisition expenses	—	—	—	—
Other underwriting expenses	.8	.4	1.6	.9
General and administrative expenses	50.0	15.1	93.8	53.1
Accretion of fair value adjustment to losses and LAE reserves	—	—	—	—
Interest expense - debt	.2	.1	4.4	—
Interest expense - dividends and accretion on preferred stock	—	—	—	—
Total expenses	40.1	16.3	89.1	53.2
Pre-tax income	\$ 10.4	\$ 41.2	\$ 6.3	\$ 28.8

White Mountains' Other Operations pre-tax income was \$10 million and \$6 million for the second quarter and first six months of 2007 compared to \$41 million and \$29 million for the second quarter and first six months of 2006. The decrease in pre-tax income for both periods is primarily due to the realization in the second quarter of 2006 of a \$21 million gain from the redemption of a private equity investment, offset somewhat by higher investment income in 2007, primarily due to a higher invested asset base. The Other Operations segment experienced \$11 million of favorable development during the second quarter of 2007, primarily due to the settlement of a large claim at BICC.

II. Summary of Investment Results

Investment Philosophy

White Mountains' investment philosophy is to maximize its after-tax total risk-adjusted return over the long term. Under this approach, each dollar of after-tax investment income and realized and unrealized gains and losses is valued equally. White Mountains' investment portfolio mix as of June 30, 2007 consisted in large part of high-quality, fixed maturity investments and short-term investments, as well as equity investments and other investments, such as hedge funds, limited partnerships and private equities. White Mountains' management believes that prudent levels of investments in common equity securities and other investments within its investment portfolio are likely to enhance long-term after-tax total returns without significantly increasing the risk profile of the portfolio.

White Mountains' overall fixed maturity investment strategy is to purchase securities that are attractively priced in relation to credit risks. White Mountains also actively manages the average duration of the portfolio, about 2 years at June 30, 2007 including short-term investments, to achieve an adequate after-tax total return.

White Mountains' equity investment strategy is to maximize absolute risk-adjusted total return through investments in a variety of equity and equity-related instruments, using bottom-up, value discipline. Preservation of capital is of the utmost importance.

Investment Returns

For purposes of discussing rates of return, all percentages are presented gross of management fees and trading expenses in order to produce a more relevant comparison to benchmark returns, while all dollar amounts are presented net of any management fees and trading expenses. A summary of White Mountains' consolidated pre-tax investment results and gross investment returns versus typical benchmarks for the three and six months ended June 30, 2007 and 2006 follows:

Pre-tax investment results

Millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net investment income	\$ 126.7	\$ 104.4	\$ 244.7	\$ 202.9
Net realized investment gains	89.1	106.5	163.0	135.0

Net unrealized investment gains (losses)	(36.9)	(56.4)	(17.6)	(72.7)
Total GAAP pre-tax investment gains	<u>\$ 178.9</u>	<u>\$ 154.5</u>	<u>\$ 390.1</u>	<u>\$ 265.2</u>

Gross investment returns versus benchmarks

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Fixed maturity investments	0.6%	1.4%	2.1%	1.9%
Short-term investments	1.4%	1.1%	2.6%	2.4%
Total fixed maturities	0.7%	1.3%	2.2%	1.9%
Lehman U.S. Aggregate Index	(0.5)%	(0.1)%	1.0%	(0.7)%
Common stock	4.5%	1.9%	8.8%	7.7%
Other investments	10.2%	5.8%	16.0%	6.1%
Total equities	6.1%	3.1%	11.0%	7.1%
S&P 500 Index (total return)	6.3%	(1.4)%	7.0%	2.7%
Total consolidated portfolio	1.6%	1.6%	3.5%	2.8%

White Mountains' total return on invested assets for the second quarter and the first six months of 2007 was 1.6% and 3.5% compared to 1.6% and 2.8% in the prior year periods. The fixed maturity portfolio performed well versus its benchmarks in the second quarter of 2007, as its short duration, avoidance of the sub-prime mortgage market, and superior security selection contributed to positive bond returns in the rising interest rate and increasing risk premium environment.

Net investment income of \$127 million and \$245 million in the second quarter and first six months of 2007 increased from \$104 million and \$203 million in the second quarter and first six months of 2006, principally due to a higher average invested asset base in 2007. Net realized investment gains of \$89 million during the second quarter of 2007 decreased by 17% from \$107 million in the second quarter of 2006, primarily due to a \$32 million realized gain in the second quarter of 2006 from the redemption of White Mountains' investment in a private equity security. Net realized investment gains in the first six months of 2007 increased to \$163 million from \$135 million in the first six months of 2006, principally due to the sale of convertible fixed maturity and equity securities in industry sectors that experienced significant appreciation during the first quarter of 2007, principally energy and natural resources. Net unrealized losses on investments of \$37 million and \$18 million in the second quarter and first six months of 2007 improved from net unrealized losses of \$56 million and \$73 million in the 2006 periods, as the unfavorable effect of a greater interest rate increase in 2007 than in 2006 was partially mitigated by favorable unrealized foreign currency gains.

On May 1, 2007, White Mountains sold all of its remaining interest in Montpelier Re, which consisted of 939,039 common shares and 7,172,376 warrants, for total proceeds of \$65 million.

Impairment

See **Note 5 - Investments** of the accompanying consolidated financial statements for White Mountains' analysis of impairment losses on investment securities.

NON-GAAP FINANCIAL MEASURES

This report includes four non-GAAP financial measures that have been reconciled to their most comparable GAAP financial measures. White Mountains believes these measures to be more relevant than comparable GAAP measures in evaluating White Mountains' results of operations and financial condition.

Adjusted comprehensive net income is a non-GAAP financial measure that excludes the change in net unrealized gains and losses from Symetra's fixed maturity portfolio from comprehensive net income. In the calculation of comprehensive net income under GAAP, fixed maturity investments are marked-to-market while the liabilities to which those assets are matched are not. Symetra attempts to earn a "spread" between what it earns on its investments and what it pays out on its products. In order to try to fix this spread, Symetra invests in a manner that tries to match the duration and cash flows of its investments with the required cash outflows associated with its life insurance and structured settlements products. As a result, Symetra typically earns the same spread on in-force business whether interest rates fall or rise. Further, at any given time, some of Symetra's structured settlement obligations may extend 40 or 50 years into the future, which is further out than the longest maturing fixed maturity investments regularly available for purchase in the market (typically 30 years). For these long-dated products, Symetra is unable to fully match the obligation with assets until the remaining expected payout schedule comes within the duration of securities available in the market. If at that time, these fixed maturity investments have yields that are lower than the yields expected when the structured settlement product was originally priced, the spread for the product will shrink and Symetra will ultimately harvest lower returns for its shareholders. GAAP comprehensive net income increases when rates decline, which would suggest an increase in the value of Symetra - the opposite of what is happening to the intrinsic value of the business. Therefore, White Mountains' management and Board of Directors use adjusted comprehensive net income when assessing Symetra's quarterly financial performance. In addition, this measure is typically the predominant component of growth in fully diluted tangible book value per share, which is used in calculation of White Mountains' performance for both short-term (annual bonus) and long-term incentive plans. The reconciliation of adjusted comprehensive net income to comprehensive net income is included on page 29.

Book value per share is derived by dividing the Company's total GAAP shareholders' equity as of a given date by the number of common shares outstanding as of that date, including the dilutive effects of outstanding options and warrants to acquire common shares, as well as the unamortized accretion of preferred stock. Fully diluted tangible book value per share is a non-GAAP measure which is derived by expanding the GAAP book value per share calculation to include the effects of assumed conversion of all in-the-money convertible securities and to exclude any unamortized goodwill and net unrealized gains from Symetra's fixed maturity portfolio. In addition, for periods subsequent to December 31, 2006, the number of common shares outstanding used in the calculation of fully diluted tangible book value per share are adjusted to exclude unearned shares of restricted stock representative of the proportion of unamortized compensation cost at the date of the calculation to the value of the restricted stock on the date of issuance. This adjustment was not made to fully diluted tangible book value per share for periods prior to December 31, 2006 as the impact was not significant. The reconciliation of fully diluted tangible book value per share to book value per share is included on page 28.

Total capital at White Mountains is comprised of common shareholders' equity, debt and minority interest in OneBeacon Ltd. Tangible capital excludes from total capital the unamortized goodwill of consolidated limited partnerships and the equity in net unrealized gains from Symetra's fixed maturity portfolio. The reconciliation of total capital to total tangible capital is included on page 42.

Adjusted book value per common share at OneBeacon is a non-GAAP financial measure which is derived by excluding the impact of economically defeasing OneBeacon's mandatorily redeemable preferred stock from book value per common share, the most closely comparable GAAP measure. Management believes that adjusted book value per common share is a useful supplement to understanding the OneBeacon's earnings and profitability. A reconciliation of OneBeacon's book value per common share to OneBeacon's adjusted book value per common share is included on page 31.

LIQUIDITY AND CAPITAL RESOURCES

Operating cash and short-term investments

Holding company level. The primary sources of cash for the Company and certain of its intermediate holding companies are dividends and tax sharing payments received from its insurance and reinsurance operating subsidiaries, financing activities and net investment income and proceeds from sales and maturities of holding company investments. The primary uses of cash are payments on its debt obligations, dividend payments on the Company's common shares, minority interest holders of OneBeacon Ltd.'s common shares and to holders of the Preference Shares, purchases of investments, payments made to tax authorities and holding company operating expenses.

Operating subsidiary level. The primary sources of cash for White Mountains' insurance and reinsurance operating subsidiaries are premium collections, net investment income, financing activities and proceeds from sales and maturities of investments. The primary uses of cash are claim payments, policy acquisition costs, operating expenses, the purchase of investments, payments on its debt obligations and dividend and tax sharing payments made to holding companies.

Both internal and external forces influence White Mountains' financial condition, results of operations and cash flows. Claim settlements, premium levels and investment returns may be impacted by changing rates of inflation and other economic conditions. In many cases, significant periods of time, ranging up to several years or more, may lapse between the occurrence of an insured loss, the reporting of the loss to White Mountains and the settlement of the liability for that loss. The exact timing of the payment of claims and benefits cannot be predicted with certainty. White Mountains' insurance and reinsurance operating subsidiaries maintain portfolios of invested assets with varying maturities and a substantial amount of short-term investments to provide adequate liquidity for the payment of claims.

Management believes that White Mountains' cash balances, cash flows from operations, routine sales of investments and the liquidity provided by the WTM Bank Facility and the FAC Bank Facility are adequate to meet expected cash requirements for the foreseeable future on both a holding company and insurance and reinsurance operating subsidiary level.

Dividend Capacity

Under the insurance laws of the states and jurisdictions under which White Mountains' insurance and reinsurance operating subsidiaries are domiciled, an insurer is restricted with respect to the timing or the amount of dividends it may pay without prior approval by regulatory authorities. Accordingly, there can be no assurance regarding the amount of such dividends that may be paid by such subsidiaries in the future. Following is a description of the dividend activities of White Mountains' insurance and reinsurance operating subsidiaries and certain of its intermediate holding companies:

OneBeacon:

Generally, OneBeacon's regulated insurance operating subsidiaries have the ability to pay dividends during any 12-month period without the prior approval of regulatory authorities in an amount equal to the greater of prior year statutory net income or 10% of prior year end statutory surplus, subject to the availability of unassigned funds. As a result, based on 2006 statutory net income, OneBeacon's top tier regulated insurance operating subsidiaries have the ability to pay approximately \$234 million of dividends during 2007 without prior approval of regulatory authorities, subject to the availability of unassigned funds.

As of December 31, 2006, OneBeacon's top tier regulated insurance operating subsidiaries had \$1.6 billion of unassigned funds. During the first six months of 2007, OneBeacon paid \$140 million of dividends to Fund American. During the first six months of 2007 OneBeacon Ltd. paid \$42 million of dividends to its common shareholders, \$30 million of which was paid to an intermediate holding company of White Mountains.

White Mountains Re:

Folksamerica Re has the ability to pay dividends during any 12-month period without the prior approval of regulatory authorities in an amount equal to the lesser of net investment income, as defined by statute, or 10% of statutory surplus, in both cases as most recently reported to regulatory authorities, subject to the availability of earned surplus. Based upon December 31, 2006 statutory surplus of \$1,153 million, Folksamerica Re would have the ability to pay approximately \$115 million of dividends during 2007 without prior approval of regulatory authorities, subject to the availability of earned surplus. As of June 30, 2007, Folksamerica Re had \$35 million of earned surplus and did not pay any dividends during the first six months of 2007.

Sirius International has the ability to pay dividends subject to the availability of unrestricted statutory surplus. Historically, Sirius International had allocated the majority of its earnings to the Safety Reserve (see **Safety Reserve** below).

In accordance with the provisions of Swedish law, Sirius International can voluntarily transfer its pre-tax income, or a portion thereof, subject to certain limitations, to its Swedish parent company to minimize taxes. During the first quarter of 2007, Sirius International transferred approximately \$35 million of its 2006 pre-tax income to its Swedish parent company as a group contribution.

WMRUS has the ability to distribute its 2007 earnings without restriction. WMRUS did not pay any dividends to its parent during the first six months of 2007.

White Mountains Re paid \$392 million of cash dividends from the net proceeds of the WMRe Senior Notes and distributed its \$54 million investment in Symetra warrants to its immediate parent during the first quarter 2007.

Esurance:

Generally, Esurance's regulated insurance operating subsidiaries have the ability to pay dividends during any 12-month period without the prior approval of regulatory authorities in an amount equal to the lesser of prior year statutory net income or 10% of prior year end statutory surplus, subject to the availability of unassigned funds. As a result, based on December 31, 2006 statutory net income, Esurance's top tier regulated insurance operating subsidiary has the ability to pay \$4 million of dividends during 2007 without prior approval of regulatory authorities, subject to the availability of unassigned funds. As of December 31, 2006, Esurance's top tier regulated insurance operating subsidiary had \$21 million of unassigned funds. Esurance did not pay any dividends during the first six months of 2007.

Safety Reserve

In accordance with provisions of Swedish law, Sirius International is permitted to transfer up to the full amount of its pre-tax income, subject to certain limitations, into an untaxed reserve referred to as a safety reserve, which amounted to \$1.3 billion at June 30, 2007. Under GAAP, an amount equal to the safety reserve, net of the related deferred tax liability established at the Swedish tax rate of 28%, is classified as shareholders' equity. Generally, this deferred tax liability is only required to be paid by Sirius International if it fails to maintain predetermined levels of premium writings and loss reserves in future years. As a result of the indefinite deferral of these taxes, Swedish regulatory authorities do not apply any taxes to the safety reserve when calculating solvency capital under Swedish insurance regulations. Accordingly, under local statutory requirements, an amount equal to the deferred tax liability on Sirius International's safety reserve (\$351 million at June 30, 2007) is included in solvency capital.

Insurance Float

Insurance float is an important dynamic of White Mountains' operations that must be managed effectively. Insurance float is money that an insurance company holds for a limited time. In an insurance operation, float arises because premiums are collected before losses are paid. This interval can extend over many years. During that time, the insurer invests the funds. When the premiums that an insurer collects do not cover the losses and expenses it eventually must pay, the result is an underwriting loss, which is considered to be the cost of insurance float. The amount and cost of insurance float for White Mountains is affected by underlying market conditions, as well as acquisitions or dispositions of insurance and reinsurance businesses.

Although insurance float can be calculated using numbers determined under GAAP, insurance float is not a GAAP concept and, therefore, there is no comparable GAAP measure.

One of the means by which White Mountains calculates its insurance float is by taking its net investment assets and subtracting its total tangible capital. The following table illustrates White Mountains' consolidated insurance float position as of June 30, 2007 and December 31, 2006:

(\$ in millions)	June 30, 2007	December 31, 2006
Total investments	\$ 11,495.7	\$ 11,332.7
Investments held in trust	(312.0)	(338.9)
Cash	172.9	159.0
Investment in unconsolidated affiliates	381.0	335.5
Equity in net unrealized losses from Symetra's fixed maturity portfolio	38.5	4.1
Accounts receivable on unsettled investment sales	24.3	8.5
Accounts payable on unsettled investment purchases	(32.0)	(66.8)
Interest-bearing funds held by ceding companies (2)	288.1	268.5
Interest-bearing funds held under reinsurance treaties (3)	(71.2)	(94.5)
Net investment assets	<u>\$ 11,985.3</u>	<u>\$ 11,608.1</u>
Total common shareholders' equity	\$ 4,575.3	\$ 4,455.3
Minority interest - OneBeacon Ltd.	526.0	490.7
Minority interest - Preference Shares	250.0	—
Debt	1,183.6	1,106.7
Total capital (1)	<u>\$ 6,534.9</u>	<u>\$ 6,052.7</u>
Unamortized goodwill	(28.4)	(32.5)
Equity in net unrealized losses from Symetra's fixed maturity portfolio	38.5	4.1
Total tangible capital	<u>\$ 6,545.0</u>	<u>\$ 6,024.3</u>
Insurance float	<u>\$ 5,440.3</u>	<u>\$ 5,583.8</u>
Insurance float as a multiple of total tangible capital	0.8x	0.9x
Net investment assets as a multiple of total tangible capital	1.8x	1.9x
Insurance float as a multiple of common shareholders' equity	1.2x	1.3x

- (1) Excludes preferred stock subject to mandatory redemption, having an aggregate accreted liquidation preference at June 30, 2007 and December 31, 2006 of \$259 million and \$262 million, and \$312 million and \$339 million, respectively, of investments held in irrevocable grantor trusts for the purpose of economically defeasing the preferred stock subject to mandatory redemption. The creation and funding of these trusts did not legally defease the preferred stock and therefore the preferred stock will continue to appear on White Mountains' balance sheet until it is redeemed.
- (2) Excludes funds held by ceding companies from which White Mountains does not receive interest credit.
- (3) Excludes funds held by White Mountains under reinsurance treaties for which White Mountains does not provide interest credits.

White Mountains has historically obtained its insurance float primarily through acquisitions, as opposed to organic growth. In previous years, White Mountains has had negative cash flows from operations but has generated significant insurance float from its insurance and reinsurance operations. This is due to the fact that White Mountains' cash flow from operations does not reflect cash and investments generated by the acquisition of insurance and reinsurance businesses. Post-acquisition, such companies are often placed into partial or complete run-off, thereby resulting in negative cash flows from operations and positive cash flows from investing as the investments acquired are liquidated over time to pay claims.

It is White Mountains' intention to generate low-cost insurance float over time through a combination of acquisitions and/or by organic growth in its existing insurance and reinsurance operations. However, White Mountains will seek to increase its insurance float organically only when market conditions allow for an expectation of generating underwriting profits.

Financing

The following table summarizes White Mountains' capital structure as of June 30, 2007 and December 31, 2006:

(\$ in millions)	June 30, 2007	December 31, 2006
FAC Senior Notes, carrying value	\$ 698.7	\$ 698.7
WMRe Senior Notes, carrying value	398.9	—
WTM Bank Facility	—	320.0
FAC Bank Facility	—	—
Other debt of operating subsidiaries	86.0	88.0
Total debt	<u>1,183.6</u>	<u>1,106.7</u>
Minority interest - OneBeacon Ltd. (1)	526.0	490.7
Minority interest - Preference Shares	250.0	—
Total common shareholders' equity	4,575.3	4,455.3
Total capital(2)	<u>6,534.9</u>	<u>6,052.7</u>
Unamortized goodwill	(28.4)	(32.5)
Equity in net unrealized losses from Symetra's fixed maturity portfolio	38.5	4.1
Total tangible capital	<u>\$ 6,545.0</u>	<u>\$ 6,024.3</u>
Total debt to total tangible capital	18%	18%
Total debt and Preference Shares to total tangible capital	21%	18%

- (1) The minority interest arising from White Mountains' ownership in OneBeacon Ltd. has been included in White Mountains' capitalization table because it supports debt service on the FAC Senior Notes.
- (2) The preferred stock subject to mandatory redemption, having an aggregate accreted liquidation preference of \$259 million and \$262 million at June 30, 2007 and December 31, 2006, respectively, was not included in total capital because it was economically defeased in connection with the OneBeacon Offering.

Management believes that White Mountains' strong financial position provides it with the flexibility and capacity to obtain funds externally as needed through debt or equity financing on both a short-term and long-term basis.

Detailed information concerning significant changes in White Mountains' financing structure during 2007 follows. Refer to the Company's 2006 Annual Report on Form 10-K for a fuller discussion regarding White Mountains' debt obligations as of December 31, 2006.

In May 2007, WMRe Group issued \$250 million non-cumulative perpetual preference shares and received \$246 million of proceeds, net of \$4 million of issuance costs and commissions. Holders of the Preference Shares receive dividends on a non-cumulative basis only when, as and if declared by WMRe Group at a fixed dividend rate of 7.506% for the period from issuance until June 30, 2017 and a variable dividend rate thereafter. The Preference Shares are redeemable only at the option of WMRe Group.

In March 2007, WMRe Group issued \$400.0 million face value of senior unsecured debt at an issue price of 99.715%, which resulted in net proceeds of \$392 million. The WMRe Senior Notes bear an annual interest rate of 6.375%, payable semi-annually in arrears on March 20 and September 20, until maturity in March 2017. Taking into effect the amortization of the original issue discount and all underwriting and issuance expenses, including the interest rate lock agreement, the WMRe Senior Notes yield an effective rate of 6.5% per annum.

During the first quarter of 2007, White Mountains repaid the \$320 million that had been outstanding under its revolving credit facility using a portion of the net proceeds from the issuance of the WMRe Senior Notes. In accordance with the mandatory commitment reduction provision in the credit facility at that time, following the issuance of the WMRe Senior Notes the revolving credit facility commitment was reduced from \$500 million to \$304 million.

During the second quarter of 2007, White Mountains replaced its existing credit facility with a new \$475 million revolving credit facility that matures in June 2012 (the "WTM Bank Facility"). This new facility removed WMRe Group as co-borrower and co-guarantor, added certain intermediate holding companies of White Mountains as co-guarantors and amended and/or removed certain financial and other covenants. As of June 30, 2007, the WTM Bank Facility was undrawn.

Detailed information concerning White Mountains' liquidity and capital resource activities during the six months ended June 30, 2007 and 2006 follows:

For the six months ended June 30, 2007

Financing and Other Capital Activities

In May 2007, White Mountains Re received net proceeds of \$246 million through the issuance of the Preference Shares. White Mountains Re declared and paid a \$2 million cash dividend on these shares in June 2007.

In March 2007, White Mountains Re received net proceeds of \$392 million through the issuance of the WMRe Senior Notes and subsequently paid a cash dividend of \$392 million to its immediate parent. In addition, White Mountains used a portion of these proceeds to repay its \$320 million outstanding balance on the WTM Bank Facility.

During the first six months of 2007, White Mountains declared and paid cash dividends of \$43 million to its common shareholders.

During the first six months of 2007, OneBeacon Ltd. declared and paid cash dividends of \$42 million to its common shareholders, \$30 million of which was received by an intermediate holding company of White Mountains. On June 30, 2007, OneBeacon repaid \$20 million of its mandatorily redeemable preferred stock using funds that were held in trust for the purpose of economically defeasing the preferred stock. OneBeacon also paid \$15 million in dividends on its mandatorily redeemable preferred stock during the first six months of 2007 using funds that were held in trust for the purpose of economically defeasing the preferred stock.

Acquisitions and Dispositions

During the first six months of 2007, White Mountains sold 645,262 shares of OneBeacon Ltd. to OneBeacon's employee stock ownership plan for proceeds of \$17 million.

Other Liquidity and Capital Resource Activities

During the first six months of 2007, the Company issued a total of 9,750 common shares to its employees through the exercise of Options during the period and received cash proceeds of \$2 million in connection with these Option exercises. The Company also repurchased 4,465 common shares from an employee for \$3 million in satisfaction of an employee withholding tax liability.

During the first six months of 2007, White Mountains made payments totaling \$56 million, in cash or by deferral into certain non-qualified compensation plans of the Company or its subsidiaries, to participants in its long-term incentive compensation plans. These payments were made with respect to 63,300 target performance shares at payout levels ranging from 145% to 186% of target.

For the six months ended June 30, 2006

Financing and Other Capital Activities

During the first six months of 2006, White Mountains declared and paid cash dividends of \$43 million and \$15 million to holders of common shares and mandatorily redeemable preferred stock, respectively.

During the six months ended June 30, 2006, OneBeacon declared and paid cash dividends of \$11 million to Fund American. Also during the six months ended June 30, 2006, White Mountains Re paid \$30 million of dividends to its immediate parent.

During the six months ended June 30, 2006, White Mountains borrowed \$50 million under its existing Bank Facility and OneBeacon drew an additional \$9 million under its existing real estate construction loan.

Acquisitions and Dispositions

White Mountains did not execute any significant acquisitions or dispositions during the first six months of 2006.

Other Liquidity and Capital Resource Activities

During the first six months of 2006, the Company issued a total of 830 common shares to its employees through the exercise of Options during the period and received cash proceeds of \$.1 million in connection with these Option exercises.

During the first quarter of 2006, White Mountains made payments totaling \$57 million, in cash or by deferral into certain non-qualified compensation plans of the Company or its subsidiaries, to participants in its long-term incentive compensation plans. These payments were made with respect to 64,100 target performance shares at payout levels ranging from 142% to 181% of target.

CRITICAL ACCOUNTING ESTIMATES

Refer to the Company's 2006 Annual Report on Form 10-K for a complete discussion regarding White Mountains' critical accounting estimates.

FORWARD-LOOKING STATEMENTS

The information contained in this report may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included or referenced in this report which address activities, events or developments which White Mountains expects or anticipates will or may occur in the future are forward-looking statements. The words "will", "believe", "intend", "expect", "anticipate", "project", "estimate", "predict" and similar expressions are also intended to identify forward-looking statements. These forward-looking statements include, among others, statements with respect to White Mountains':

- growth in book value per share or return on equity;
- business strategy;
- financial and operating targets or plans;
- incurred losses and the adequacy of its loss and LAE reserves and related reinsurance;
- projections of revenues, income (or loss), earnings (or loss) per share, dividends, market share or other financial forecasts;
- expansion and growth of its business and operations; and
- future capital expenditures.

These statements are based on certain assumptions and analyses made by White Mountains in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors believed to be appropriate in the circumstances. However, whether actual results and developments will conform with its expectations and predictions is subject to a number of risks and uncertainties that could cause actual results to differ materially from expectations, including:

- the risks associated with Item 1A of the Company's 2006 Annual Report on Form 10-K;
- claims arising from catastrophic events, such as hurricanes, earthquakes, floods or terrorist attacks;
- the continued availability of capital and financing;
- general economic, market or business conditions;
- business opportunities (or lack thereof) that may be presented to it and pursued;
- competitive forces, including the conduct of other property and casualty insurers and reinsurers;
- changes in domestic or foreign laws or regulations, or their interpretation, applicable to White Mountains, its competitors or its clients;
- an economic downturn or other economic conditions adversely affecting its financial position;
- recorded loss reserves subsequently proving to have been inadequate; and
- other factors, most of which are beyond White Mountains' control.

Consequently, all of the forward-looking statements made in this report are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by White Mountains will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, White Mountains or its business or operations. White Mountains assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Refer to White Mountains' 2006 Annual Report on Form 10-K and in particular Item 7A. - "Quantitative and Qualitative Disclosures About Market Risk". As of June 30, 2007, there were no material changes in the market risks as described in White Mountains' most recent Annual Report.

Item 4. Controls and Procedures.

The Principal Executive Officer ("PEO") and the Principal Financial Officer ("PFO") of White Mountains have evaluated the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, the PEO and PFO have concluded that White Mountains' disclosure controls and procedures are adequate and effective.

There were no significant changes with respect to the Company's internal control over financial reporting or in other factors that materially affected, or are reasonably likely to materially affect, internal control over financial reporting during the quarter ended June 30, 2007.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings.

In August 2005, OneBeacon asserted claims against Liberty Mutual in the Court of Common Pleas in Philadelphia, Pennsylvania (the "Court") asserting breach of contract and negligence claims pursuant to agreements with Liberty Mutual (the "Liberty Agreements"). The contract claim was submitted to arbitration and the Court stayed the remaining claims pending resolution of the arbitration. The hearing commenced in November 2006 and a final determination is expected by the end of 2007.

In January 2006, Liberty Mutual initiated an arbitration proceeding (the "ULAE Arbitration") against OneBeacon asserting it is owed approximately \$68 million in connection with unallocated loss adjustment expenses ("ULAE"), under the Liberty Agreements. OneBeacon believes that Liberty's calculation of ULAE is inconsistent with the terms of the Liberty Agreements and with standard industry definitions of ULAE. As of June 30, 2007, OneBeacon has recorded in its loss and LAE reserves an estimate of ULAE expenses due Liberty Mutual on a basis that it believes is consistent with the terms of the Liberty Agreements and with standard industry definitions of ULAE.

In September 2006, OneBeacon initiated an arbitration against Liberty Mutual (the “Reinsurance Arbitration”) seeking payment relating to reinsurance arrangements under the Liberty Agreements. In January 2007, the Reinsurance Arbitration was consolidated into the ULAE Arbitration. In July 2007, the reinsurance payment issues in the Reinsurance Arbitration were favorably resolved.

As of June 30, 2007, OneBeacon believes its loss and LAE reserves are sufficient to cover reasonably anticipated outcomes of all disputes with Liberty Mutual.

Refer to the Company’s 2006 Annual Report on Form 10-K, and in particular Item 3 - “Legal Proceedings” for a brief description of all other non-routine legal proceedings. Damages sought by the claimants do not exceed 10% of the Company’s current assets.

Item 1A. Risk Factors

There have been no material changes in the Registrant’s risk factors since the Registrant’s most recently filed Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On November 17, 2006, the Company’s Board of Directors authorized the repurchase up to 1,000,000 of the Company’s common shares, from time to time, subject to market conditions. Common shares may be purchased in the open market or through privately negotiated transactions. The repurchase authorization does not obligate the Company to acquire any specific number of shares. As of June 30, 2007, there were no repurchases of common shares made under this authorization.

As permitted by the Restricted Share Award Agreement between the Company and Steven E. Fass, the Company accepted 4,465 common shares in satisfaction of Mr. Fass’ withholding tax obligations arising from the vesting of 10,000 Restricted Shares on February 26, 2007. The common shares received by the Company were valued at the applicable New York Stock Exchange closing price on February 23, 2007 (\$574.90 per common share).

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

The Company’s 2007 Annual General Meeting of Members (the “2007 Annual Meeting”) was held on May 24, 2007 in Hamilton, Bermuda. At the 2007 Annual Meeting:

- 1) four persons were elected to serve as Class I directors of the Company with a term ending 2010 and one person was elected to serve as Class II director of the Company with a term ending 2008,
- 2) four persons were elected to serve as directors of Sirius International,
- 3) four persons were elected to serve as directors of Fund American Reinsurance Company, Ltd. (“Fund American Re”) and Scandinavian Re,
- 4) four persons were elected to serve as directors of White Mountains Life Reinsurance (Bermuda) Ltd. (“WM Life Re”),
- 5) four persons were elected to serve as directors of Galileo Weather Risk Management Ltd. (“Galileo”),
- 6) four persons were elected to serve as directors of any new non-United States operating subsidiaries,
- 7) an amendment to the Company’s Bye-law 77 involving the appointment and removal of the boards of directors of certain designated subsidiaries of the Company was approved,
- 8) the appointment of PricewaterhouseCoopers LLP as the Company’s Independent Registered Public Accounting Firm for 2007 was approved.

As of March 26, 2007, the record date for the 2007 Annual Meeting, a total of 10,833,788 common shares were eligible to vote prior to consideration of the voting cut-back of all holders with 10% or more voting control in accordance with the Company’s Bye-laws. The results of the vote, after taking into consideration the voting cut-back, are presented below.

Proposal 1 - Election of the Company’s Directors

<u>Nominee:</u>	<u>Votes FOR</u>	<u>Votes Withheld</u>
Bruce R. Berkowitz	7,244,603	31,374
Morgan W. Davis	6,269,549	1,006,428
Edith E. Holiday	7,237,189	38,788
Lowndes A. Smith	7,244,421	31,556
Raymond Barrette	6,259,317	1,016,660

Proposal 2 - Election of Directors of Sirius International

<u>Nominee:</u>	<u>Votes FOR</u>	<u>Votes Withheld</u>
Charles B. Chokel	6,565,687	710,290

Allan L. Waters	6,565,687	710,290
Jan A.M. Silverudd	6,565,687	710,290
Goran Thorstensson	6,565,687	710,290

Proposal 3 - Election of Directors of Fund American Re and Scandinavian Re

<u>Nominee:</u>	<u>Votes FOR</u>	<u>Votes Withheld</u>
Charles B. Chokel	6,566,584	709,393
Allan L. Waters	6,566,584	709,393
C. Russell Fletcher	6,566,584	709,393
Goran Thorstensson	6,566,584	709,393

Proposal 4 - Election of Directors of WM Life Re

<u>Nominee:</u>	<u>Votes FOR</u>	<u>Votes Withheld</u>
Dennis P. Beaulieu	6,568,724	707,253
Raymond Barrette	6,568,724	707,253
David T. Foy	6,568,724	707,253
C. Russell Fletcher	6,568,724	707,253

Proposal 5 - Election of Directors of Galileo

<u>Nominee:</u>	<u>Votes FOR</u>	<u>Votes Withheld</u>
David T. Foy	6,569,978	705,999
Robert R. Lusardi	6,569,978	705,999
Dennis P. Beaulieu	6,569,978	705,999
C. Russell Fletcher	6,569,978	705,999

Proposal 6 - Election of Directors of any New Non-United States Operating Subsidiaries

<u>Nominee:</u>	<u>Votes FOR</u>	<u>Votes Withheld</u>
Dennis P. Beaulieu	6,566,573	709,404
Raymond Barrette	6,566,573	709,404
David T. Foy	6,566,573	709,404
C. Russell Fletcher	6,566,573	709,404

Proposal 7 - Ratification of an amendment to the Company's Bye-laws

<u>Votes FOR</u>	<u>Votes Against</u>	<u>Abstained</u>
7,211,620	35,968	23,389

Proposal 8 - Approval of Appointment of PricewaterhouseCoopers LLP

<u>Votes FOR</u>	<u>Votes Against</u>	<u>Abstained</u>
7,253,668	15,562	6,747

Item 5. Other Information.

None.

Item 6. Exhibits.

- (a) Exhibits
- 10.1 - Certificate of Designation, setting forth the designations, powers, preferences and rights of the Preference Shares (incorporated by reference herein to Exhibit 3.1 of the Company's Report on Form 8-K dated May 29, 2007).
- 10.2 - \$475,000,000 Credit Agreement, dated June 19, 2007 among the Company, as the Borrower, Bank of America, N.A., as Administrative Agent, Swing Line Lender and issuing Lender, and the other lenders party hereto.*
- 11 - Statement Re Computation of Per Share Earnings**

- 31.1 - Principal Executive Officer Certification Pursuant to Rule 13a-14 (a) of the Securities Exchange Act of 1934, as Amended.*
- 31.2 - Principal Financial Officer Certification Pursuant to Rule 13a-14 (a) of the Securities Exchange Act of 1934, as Amended.*
- 32.1 - Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
- 32.2 - Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

* Included herein

** Not included as an exhibit as the information is contained elsewhere within this report. See Note 10 of the Notes to Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WHITE MOUNTAINS INSURANCE GROUP, LTD.

(Registrant)

Date: August 2, 2007

By: /s/ J. Brian Palmer

J. Brian Palmer

Chief Accounting Officer

CREDIT AGREEMENT

Dated as of June 19, 2007

among

WHITE MOUNTAINS INSURANCE GROUP, LTD.,
as the Borrower,**BANK OF AMERICA, N.A.,**
as Administrative Agent, Swing Line Lender and
Issuing Lender,

and

THE OTHER LENDERS PARTY HERETO**LEHMAN BROTHERS INC.,**
as Syndication Agent

and

JPMORGAN CHASE BANK, N.A.,**THE BANK OF NEW YORK,****THE BANK OF TOKYO-MITSUBISHI UFJ. LTD., NEW YORK BRANCH,**

and

DEUTSCHE BANK AG NEW YORK BRANCH
as Co-Documentation Agents

and

BANC OF AMERICA SECURITIES LLC,

and

LEHMAN BROTHERS INC.
as Joint Lead Arrangers and Joint Book Runners**TABLE OF CONTENTS**

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B-2	Form of Swing Line Loan Notice
C-1	Form of Revolving Credit Note
C-2	Form of Swing Line Note
D	Form of Exemption Certificate
E	Form of Closing Certificate
F	Form of Legal Opinion of Robert Seelig, Esq.
G	Form of Legal Opinion of Conyers Dill & Pearman
H	Form of Assignment and Assumption
I	Form of Instrument of Accession
J	Form of Guaranty

CREDIT AGREEMENT

This **CREDIT AGREEMENT**, dated as of June 19, 2007, among (i) **WHITE MOUNTAINS INSURANCE GROUP, LTD.**, a company existing under the laws of Bermuda (the “Borrower”), (ii) each lender from time to time party hereto (collectively, the “Lenders”), (iii) **BANK OF AMERICA, N.A.**, as Administrative Agent, Swing Line Lender and the Issuing Lender and (iv) **LEHMAN BROTHERS INC.**, as Syndication Agent.

PRELIMINARY STATEMENTS

The Borrower has requested that the Lenders provide a revolving credit facility, and the Lenders are willing to do so on the terms and conditions set forth herein.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

1. DEFINITIONS

1.1. Defined Terms. As used in this Agreement, the terms listed in this Section 1.1 shall have the respective meanings set forth in this Section 1.1.

“Act of 1934” means the Securities Exchange Act of 1934 and the regulations issued thereunder.

“Administrative Agent” means Bank of America, N.A., in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent appointed in accordance with Section 9.9.

“Administrative Agent’s Office” means the Administrative Agent’s address and, as appropriate, account as set forth on Schedule 10.2, or such other address or account as the Administrative Agent may from time to time notify the Borrower and the Lenders.

“Administrative Questionnaire” means an Administrative Questionnaire in a form supplied by the Administrative Agent.

“Affiliate” means, as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, “control” of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

“Agent Fee Letter” means that certain letter agreement dated as of April 16, 2007 by and between the Borrower, the Administrative Agent and Banc of America Securities LLC.

“Agent-Related Persons” means the Administrative Agent, together with its Affiliates (including, Bank of America, N.A. in its capacity as the Administrative Agent and Banc of America Securities LLC in its capacity as one of the Arrangers), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

“Agreement” means this Credit Agreement, as amended, restated, extended, supplemented or otherwise modified from time to time.

“Annual Statement” means the annual statutory financial statement of any Insurance Subsidiary required to be filed with the Department of its jurisdiction of incorporation or organization, which statement shall be in the form required by such Insurance Subsidiary’s jurisdiction of incorporation or organization or, if no specific form is so required, in the form of financial statements permitted by such Department

to be used for filing annual statutory financial statements and shall contain the type of information permitted or required by such Department to be disclosed therein, together with all exhibits or schedules filed therewith.

“Applicable Margin” means the applicable percentage per annum set forth below corresponding to the Total Consolidated Debt to Total Consolidated Capitalization Ratio as of the most recent fiscal quarter of the Borrower for which a Compliance Certificate has been or is required to have been delivered pursuant to Section 6.2(b):

<u>Pricing Level</u>	<u>Total Consolidated Debt to Total Consolidated Capitalization Ratio</u>	<u>Applicable Margin</u>
I	£ 10.0%	0.320%
II	> 10.0% £ 15.0%	0.400%
III	> 15.0% £ 22.5%	0.525%
IV	> 22.5% < 30.0%	0.675%
V	³ 30.0%	0.875%

The Applicable Margin in effect from the Closing Date through the first Business Day immediately following the date the first Compliance Certificate is delivered to the Administrative Agent pursuant to Section 6.2(b), shall be the Applicable Margin set forth in pricing level III. Any increase or decrease in the Applicable Margin resulting from a change in the Total Consolidated Debt to Total Consolidated Capitalization Ratio, as set forth on a Compliance Certificate delivered pursuant to Section 6.2(b), shall become effective as of the first Business Day immediately following delivery of such Compliance Certificate; provided, however, that if a Compliance Certificate is not delivered when due in accordance with Section 6.2(b), then the level V Applicable Margin shall apply as of the first Business Day after the date on which such Compliance Certificate was required to have been delivered until the first Business Day after the date on which such Compliance Certificate is delivered.

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“Application” means an application and agreement for the issuance or amendment of a Letter of Credit in the form from time to time used by the Issuing Lender, which shall not be inconsistent with this Agreement or impose additional obligations on the Borrower.

“Approved Fund” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“Arranger Fee Letter” means that certain letter agreement dated as of April 16, 2007 by and among the Borrower, the Arrangers and LBB.

“Arrangers” means Banc of America Securities LLC and Lehman Brothers Inc., in their respective capacities as joint lead arrangers and joint book runners.

“Assignee Group” means two or more Eligible Assignees that are Affiliates of one another or two or more Approved Funds managed by the same investment advisor.

“Assignment and Assumption” means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.7(b)), and accepted by the Administrative Agent, substantially in the form of Exhibit H or any other form approved by the Administrative Agent.

“Attorney Costs” means and includes all reasonable fees, expenses and disbursements of any law firm or other external counsel.

“Available Revolving Credit Commitment” means, with respect to any Lender at any time, an amount equal to the excess, if any, of (a) such Lender’s Revolving Credit Commitment then in effect over (b) such Lender’s Revolving Extensions of Credit then outstanding.

“Base Rate” means, for any day, a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America, N.A. as its “prime rate.” The “prime rate” is a rate set by Bank of America, N.A. based upon various factors including Bank of America, N.A.’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank of America, N.A. shall take effect at the opening of business on the day specified in the public announcement of such change.

“Base Rate Loans” means Loans for which the applicable rate of interest is based upon the Base Rate.

“Benefited Lender” has the meaning specified in Section 10.8.

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“Berkshire Hathaway” means, Berkshire Hathaway Inc., or an Affiliate thereof.

“Berkshire Preferred Stock” means the \$300,000,000 aggregate liquidation preference amount of non-voting preferred stock issued by Fund American to Berkshire Hathaway pursuant to the Certificate of Designation of Series A Preferred Stock of TACK Acquisition Corp. (n/k/a Fund American) as amended, supplemented or otherwise modified from time to time.

“Board” means the Board of Governors of the Federal Reserve System of the United States (or any successor).

“Borrower Materials” has the meaning specified in Section 6.2(e).

“Borrower” has the meaning specified in the preamble hereto.

“Borrowing Date” means any Business Day specified by the Borrower as a date on which the Borrower requests the relevant Lenders to make Loans hereunder.

“Borrowing Request” means a notice of (a) a borrowing, (b) a conversion of Loans from one Type to the other, or (c) a continuation of Eurodollar Loans pursuant to Sections 2.2 or 2.9 which, if in writing, shall be substantially in the form of Exhibit B-1.

“Business Day” means (i) with respect to any borrowing, payment or rate selection of Eurodollar Loans, a day (other than a Saturday or Sunday) on which banks generally are open in New York City for the conduct of substantially all of their commercial lending activities, interbank wire transfers can be made on the Fedwire system and dealings in Dollars are carried on in the London interbank market and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in New York City for the conduct of substantially all of the commercial lending activities, and interbank wire transfers can be made on the Fedwire system.

“Capital Lease Obligations” means, with respect to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP; and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

“Capital and Surplus” means, as of any date, (a) as to any Insurance Subsidiary domiciled in the United States, the total surplus as regards to policyholders (or any successor line item description that contains the same information) as shown in its Annual Statement or Interim Statement, or an amount determined in a consistent manner for any date other than one as of which an Annual Statement or Interim Statement is prepared, (b) as to Sirius, the total solvency capital (or any successor line item description that contains the same information) as shown in its Annual Statement or Interim

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Statement, or an amount determined in a consistent manner for any date other than one as of which an Annual Statement or Interim Statement is prepared and (c) as to any other Insurance Subsidiary, the equivalent amount (determined in good faith by the Borrower).

“Capital Stock” means any and all shares, interests, participations or other equivalents (however designated) of capital stock or share capital of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

“Cash Collateralize” means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the Issuing Lender and the Lenders, as collateral for the L/C Obligations, cash or deposit account balances pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent and the Issuing Lender (which documents are hereby consented to by the Lenders). Derivatives of such term have corresponding meanings.

“Change of Control” means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Act of 1934 and the rules of the SEC thereunder as in effect on the date hereof), other than (i) Berkshire Hathaway, (ii) Franklin Mutual or (iii) John J. Byrne or any Related Person with respect to John J. Byrne (together with, in the case of clauses (i), (ii) and (iii), their Affiliates), of Capital Stock representing more than 30% of the aggregate ordinary voting power represented by the issued and outstanding Capital Stock of the Borrower, or (b) the occupation, within a period of two years, of a majority of the seats (other than vacant seats) on the board of directors of the Borrower by Persons who were neither (i) nominated by the board of directors of the Borrower nor (ii) appointed by directors so nominated. For the avoidance of doubt, none of the Capital Stock held by the entities listed in clauses (a)(i), (a)(ii) and (a)(iii), nor the Capital Stock held by any of their Affiliates, shall be included as being owned by a Person or group when determining whether such Person or group has met the 30% threshold set forth in clause (a).

“Closing Certificate” means a certificate substantially in the form of Exhibit E.

“Closing Date” means the first date on which all the conditions precedent in Section 4.1 are satisfied or waived in accordance with Section 10.1.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Commitments” means, collectively the Revolving Credit Commitments, the Swing Line Commitment, the L/C Commitment or as the context may require, any such Commitment.

“Commonly Controlled Entity” means an entity, whether or not incorporated, that is under common control with the Borrower within the meaning of Section 4001 (a) (14) of ERISA or that is treated as a single employer with the Borrower under Section 414 of the Code.

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“Compensation Period” has the meaning specified in Section 2.14(e)(ii).

“Compliance Certificate” means a certificate duly executed by a Responsible Officer on behalf of the Borrower substantially in the form of Exhibit A.

“Conditional Common Equity” means convertible preferred equity issued by the Borrower or any of its Subsidiaries which will convert to common equity of the Borrower or any of its Subsidiaries upon shareholder approval (provided that such shareholder approval is obtained within the period required by the terms thereof).

“Consolidated Net Income” means, for any period, the consolidated net income (or loss) of the Borrower and its consolidated Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP; provided, however, that in calculating Consolidated Net Income for any period, there shall be excluded for purposes of the calculation of Consolidated Net Income (a) the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary of the Borrower or is merged into or consolidated with the Borrower or any of its Subsidiaries and (b) any effects resulting from the application of FIN 46R.

“Consolidated Net Worth” means, as at any date, the sum of all amounts that would, in conformity with GAAP be included on a consolidated balance sheet of the Borrower and its consolidated Subsidiaries under stockholders’ equity at such date, plus minority interests in Subsidiaries, as determined in accordance with GAAP; provided, however, that in calculating Consolidated Net Worth as at any date, there shall be excluded for purposes of the calculation of Consolidated Net Worth any effects resulting from (a) SFAS 115 or (b) the application of FIN 46R.

“Cure Period” has the meaning specified in Section 7.1(b).

“Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its Property is bound.

“Debt” means indebtedness for borrowed money.

“Debtor Relief Laws” the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions, domestic or foreign, from time to time in effect and affecting the rights of creditors generally.

“Default” means any of the events specified in Section 8.1, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

“Defaulting Lender” means any Lender that (a) has failed to fund any portion of the Loans or participations in the L/C Obligations required to be funded by it hereunder within one Business Day of the date required to be funded by it hereunder unless such failure has been cured, (b) has otherwise failed to pay over to the

Administrative Agent or any other Lender any other amount required to be paid by it hereunder within one Business Day of the date when due unless the subject of a good faith dispute or unless such failure has been cured or (c) has been deemed insolvent or become the subject of a bankruptcy or insolvency proceeding.

“Default Rate” has the meaning specified in Section 2.11(c).

“Department” means, with respect to any Insurance Subsidiary, the insurance commissioner or other Governmental Authority of such Insurance Subsidiary’s jurisdiction of incorporation or organization.

“Dollars” and “\$” means lawful currency of the United States of America.

“Eligible Assignee” means any Person that meets the requirements to be an assignee under Section 10.7(b)(iii), (v), (vi), (vii) and (viii) (subject to such consents, if any, as may be required under Section 10.7(b)(iii)).

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, injunctive or equitable relief, fines, penalties or indemnities), of the Borrower or any of its Subsidiaries resulting from or based upon (a) a violation of any environmental law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) human exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

“Eurodollar Loans” means Loans for which the applicable rate of interest is based upon the Eurodollar Rate.

“Eurodollar Rate” means, for any Interest Period with respect to a Eurodollar Loan, the rate per annum equal to the British Bankers Association LIBOR Rate (“BBA LIBOR”), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as designated by the Administrative Agent from time to time) at approximately 11:00 A.M., London time, two Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period. If such rate is not available at such time for any reason, then the “Eurodollar Rate” for such Interest Period shall be the rate per annum determined by the Administrative Agent to be the rate at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Loan being made, continued or converted by Bank of America, N.A. and with a term equivalent to such Interest Period would be offered by Bank of America, N.A.’s London branch to major banks in the London interbank eurodollar market at their request at approximately 11:00 A.M. (London time) two Business Days prior to the commencement of such Interest Period.

“Excluded Taxes” has the meaning specified in Section 2.16(a).

“Existing Credit Agreement” means that certain Credit Agreement, dated as of November 14, 2006, among the Borrower, White Mountains Re, the several banks and other financial institutions or entities from time to time parties thereto, Lehman Brothers Inc., as syndication agent, and Bank of America, N.A., as administrative agent.

“Existing Letters of Credit” means those letters of credit set forth on Schedule 1A.

“Event of Default” means any of the events specified in Section 8.1, provided that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

“Facility Fee Rate” means the applicable percentage per annum set forth below corresponding to the Total Consolidated Debt to Total Consolidated Capitalization Ratio as of the most recent fiscal quarter of the Borrower for which a Compliance Certificate has been or is required to have been delivered pursuant to Section 6.2(b):

Pricing Level	Total Consolidated Debt to Total Consolidated Capitalization Ratio	Facility Fee Rate
I	£ 10.0%	0.080%
II	> 10.0% £ 15.0%	0.100%
III	> 15.0% £ 22.5%	0.125%
IV	> 22.5% < 30.0%	0.175%
V	³ 30.0%	0.225%

The Facility Fee Rate in effect from the Closing Date through the first Business Day immediately following the date the first Compliance Certificate is delivered to the Administrative Agent pursuant to Section 6.2(b), shall be the Facility Fee Rate set forth in pricing level III. Any increase or decrease in the Facility Fee Rate resulting from a change in the Total Consolidated Debt to Total Consolidated Capitalization Ratio, as set forth on a Compliance Certificate delivered pursuant to Section 6.2(b), shall become effective as of the first Business Day immediately following delivery of such Compliance Certificate; provided, however, that if a Compliance Certificate is not delivered when due in accordance with Section 6.2(b), then the level V Facility Fee Rate shall apply as of the first Business Day after the date on which such Compliance Certificate was required to have been delivered until the first Business Day after the date on which such Compliance Certificate is delivered.

“Federal Funds Rate” means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such

day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Bank of America, N.A. on such day on such transactions as reasonably determined by the Administrative Agent.

“Fee Letters” means, collectively, the Agent Fee Letter and the Arranger Fee Letter.

“FIN 46R” means FASB Interpretation No. 46, “Consolidation of Variable Interest Entities,” and its revision by the Financial Accounting Standards Board.

“Fitch” means Fitch, Inc. (or any successor thereto).

“Franklin Mutual” means any investment fund managed by Franklin Mutual Advisers LLC (or any successor thereto) or any of its Affiliates.

“Fund” means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in revolving credit facilities and similar extensions of credit in the ordinary course of its business.

“Fund American” means Fund American Companies, Inc., a Delaware corporation.

“Fund American Enterprises” means Fund American Enterprises Holdings, Inc., a Delaware corporation.

“Fund American Notes” means those certain 5.875% Senior Notes issued pursuant to the Senior Indenture, dated as of May 19, 2003, between the Borrower, Fund American and Bank One, National Association, as trustee, in the initial aggregate principal amount of \$700,000,000 due May 15, 2013.

“Fund American Preferred Stock” means collectively, the Berkshire Preferred Stock and the Zenith Preferred Stock.

“Fundamental Change” means any of (a) the Borrower consolidating or amalgamating with or merging into any other Person, (b) the Borrower failing to preserve, renew and keep, in full force and effect, its corporate existence, (c) the Borrower, directly or indirectly through one or more of its Subsidiaries, conveying or transferring the properties and assets of the Borrower and its Subsidiaries (taken as a whole for the Borrower and its Subsidiaries) substantially as an entirety (other than to the Borrower or one or more of its Subsidiaries), or (d) the Borrower

liquidating, winding up or dissolving itself, other than, in the case of clauses (a) through (d), any such transaction or transactions the sole purpose of which is to change the domicile of the Borrower (in any such redomiciliation (x) the surviving, amalgamated or transferee entity shall expressly assume, by an agreement reasonably satisfactory to the Administrative Agent,

the obligations of the Borrower to be performed or observed hereunder and deliver to the Administrative Agent such corporate authority documents and legal opinions as the Administrative Agent shall reasonably request, (y) the surviving, amalgamated or transferee entity shall succeed to, and be substituted for, and may exercise every right and power of, the Borrower under this Agreement with the same effect as if such surviving, amalgamated or transferee entity had been named as the Borrower herein and (z) the surviving, amalgamated or transferee entity shall be organized under the laws of the United States of America, any state thereof, the District of Columbia or Bermuda); provided that a conveyance or transfer of all or any part of OneBeacon Limited or any of its Subsidiaries shall not constitute a Fundamental Change.

“GAAP” means generally accepted accounting principles in the United States of America as in effect from time to time and set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, except that for purposes of Section 7.1, GAAP shall be determined on the basis of such principles in effect on the date hereof.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof whether state or local and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing, including any board of insurance, insurance department or insurance commissioner.

“Granting Lender” has the meaning specified in Section 10.7(h).

“Guarantee Obligation” means as to any Person (the “guaranteeing person”), any obligation of (a) the guaranteeing person or (b) another Person (including, without limitation, any bank under any letter of credit) to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the “primary obligations”) of any other third Person (the “primary obligor”) in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase Property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any

guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person’s maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

“Guarantors” means each Initial Guarantor and any other Subsidiary of the Borrower that is or becomes a party to the Guaranty at the election of the Borrower (each, an “Additional Guarantor”), in each case unless and until such Person is released from such Guaranty pursuant to Section 10.17.

“Guaranty” means that certain Guaranty, substantially in the form of Exhibit J, dated as of the date hereof by the Initial Guarantors in favor of the Administrative Agent and the Lenders, as amended, restated, extended, supplemented or otherwise modified from time to time.

“Hazardous Materials” means all explosive or radioactive substances or wastes, hazardous or toxic substances or wastes, pollutants, solid, liquid or gaseous wastes, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls (“PCBs”) or PCB-containing materials or equipment, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any environmental law.

“Hedge Agreements” means all interest rate swaps, caps or collar agreements or similar arrangements entered into by the Borrower or its Subsidiaries providing for protection against fluctuations in interest rates or currency exchange rates or otherwise providing for the exchange of nominal interest obligations, either generally or under specific contingencies.

“Increase Effective Date” has the meaning specified in Section 2.22(b).

“Indebtedness” means, as to any Person at any date, without duplication, all of the following, whether or not included as Indebtedness or liabilities in accordance with GAAP (a) all Debt of such Person, (b) all obligations of such Person for the deferred purchase price of Property or services (other than trade payables incurred in the ordinary course of such Person’s business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to Property acquired by such Person (even though the rights and remedies of the seller or lender under such

agreement in the event of default are limited to repossession or sale of such Property), (e) all Capital Lease Obligations of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party or applicant under acceptance, letter of credit, bank guarantees, surety bonds or similar facilities, (g) all obligations of such

Person, contingent or otherwise, to purchase, redeem, retire, defease or otherwise acquire for value any Capital Stock of such Person, (h) all Guarantee Obligations of such Person in respect of any of the foregoing, (i) all obligations of the kind referred to in clauses (a) through (h) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on Property (including, without limitation, accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation and (j) for the purposes of Section 8.1(h) only, all obligations of such Person in respect of Hedge Agreements entered into in the ordinary course of business and not for speculative purposes. For the avoidance of doubt, Indebtedness shall not include any obligations (including Guarantee Obligations) in respect of the Fund American Preferred Stock, provided, that, arrangements reasonably satisfactory to the Administrative Agent shall have been made for the establishment of grantor trusts to provide for the payment or redemption of the Fund American Preferred Stock, it being understood that such arrangements in effect on the Closing Date are reasonably satisfactory to the Administrative Agent.

“Indemnified Liabilities” has the meaning specified in Section 10.6.

“Indemnitees” has the meaning specified in Section 10.6.

“Initial Guarantors” means White Mountains Holdings Bermuda Ltd., a company organized under the laws of Bermuda, Lone Tree Insurance Group Ltd., a company organized under the laws of Bermuda, and Lone Tree Holdings Ltd., a company organized under the laws of Bermuda.

“Insolvency” means with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

“Insolvent” means pertaining to a condition of Insolvency.

“Instrument of Accession” has the meaning specified in Section 2.22.

“Insurance Regulations” means any Law, directive or order applicable to an insurance company.

“Insurance Regulator” means any Person charged with the administration, oversight or enforcement of any Insurance Regulation.

“Insurance Subsidiary” means any Subsidiary which is required to be licensed by any Department as an insurer or reinsurer and each direct or indirect Subsidiary of such Subsidiary.

“Intellectual Property” means the collective reference to all rights, priorities and privileges relating to intellectual property, arising under Laws, including, without limitation, copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, technology, know-how and processes, and all rights to sue at law or

in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

“Interest Payment Date” means (a) as to any Base Rate Loan, the first Business Day of each of January, April, July and October and the last day of the Revolving Credit Commitment Period, (b) as to any Eurodollar Loan, the last day of each Interest Period applicable to such Loan and the last day of the Revolving Credit Commitment Period; provided, however, that if any Interest Period for a Eurodollar Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates, and (c) as to any Loan (other than a Base Rate Loan), the date of any repayment or prepayment made in respect thereof.

“Interest Period” means, as to any Eurodollar Loan, (a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan and ending one, two, three or six months (or, unless unavailable to any Lender, nine or twelve months) thereafter, as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and (b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six months (or, unless unavailable to any Lender, nine or twelve months) thereafter, as selected by the Borrower by irrevocable notice to the Administrative Agent not less than three Business Days prior to the last day of the then current Interest Period with respect thereto; provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period in respect of the Loans that would otherwise extend beyond the Revolving Credit Termination Date shall end on the Revolving Credit Termination Date, and

(iii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the

“Interim Statement” means any interim statutory financial statement or financial report (whether quarterly, semiannually or otherwise) of any Insurance Subsidiary required to be filed with the Department of its jurisdiction of incorporation or organization, which statement or report shall be in the form required by such Insurance Subsidiary’s jurisdiction of incorporation or organization or, if no specific form is so required, in the form of financial statements or financial reports permitted by such Department to be used for filing interim statutory financial statements or financial reports

and shall contain the type of information permitted or required by such Department to be disclosed therein, together with all exhibits or schedules filed therewith.

“ISP” means, with respect to any Letter of Credit, the “International Standby Practices 1998” published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance).

“Issuer Documents” means with respect to any Letter of Credit, the Application, and any other document, agreement and instrument entered into by the Issuing Lender and the Borrower (or any Subsidiary) or by the Borrower (or any Subsidiary) in favor of the Issuing Lender and relating to any such Letter of Credit.

“Issuing Lender” means Bank of America, N.A. and any other Lender from time to time designated by the Borrower as an Issuing Lender, with the consent of such Lender and the Administrative Agent.

“Laws” means any law, treaty, rule, regulation or order of an arbitrator or a court or other Governmental Authority.

“LBB” means Lehman Brothers Bank, FSB.

“L/C Advance” means, with respect to each Lender, such Lender’s funding of its participation in any L/C Borrowing in accordance with its Revolving Credit Percentage.

“L/C Borrowing” means an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the date when made or refinanced as a borrowing.

“L/C Commitment” means \$100,000,000, as the same may be reduced from time to time pursuant to Section 2.7.

“L/C Credit Extension” means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof or the increase of the amount thereof.

“L/C Fee Payment Date” means the first Business Day of each of January, April, July and October and the last day of the Revolving Credit Commitment Period.

“L/C Obligations” means, at any time, an amount equal to the sum of (a) the aggregate amount available to be drawn under all outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit that have not then been reimbursed pursuant to Section 3.3. For purposes of computing the amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.3. For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of

Credit shall be deemed to be “outstanding” in the amount so remaining available to be drawn.

“L/C Participants” means, with respect to any Letter of Credit, the collective reference to all of the Lenders, other than the Issuing Lender that issued such Letter of Credit.

“Lenders” has the meaning specified in the preamble hereto.

“Letters of Credit” means any letters of credit issued hereunder and shall include the Existing Letters of Credit.

“License” means any license, certificate of authority, permit or other authorization which is required to be obtained from any Governmental Authority in connection with the operation, ownership or transaction of insurance or reinsurance business.

“Lien” means any mortgage, pledge, security interest, encumbrance, charge or security interest of any kind.

“Loan” means any loan made by any Lender to the Borrower pursuant to this Agreement, including any Revolving Credit Loan and any Swing Line Loan made by the Swing Line Lender.

“Loan Documents” means this Agreement, the Applications, the Guaranty, the Notes and any Instrument of Accession executed hereunder pursuant to Section 2.22.

“Majority Lenders” means the holders of more than 50% of the Total Revolving Extensions of Credit (or, if no such Revolving Extensions of Credit are outstanding, prior to any termination of the Revolving Credit Commitments, the holders of more than 50% of the Total Revolving Credit Commitments). The Revolving Credit Commitment in effect (or, when applicable, Revolving Extensions of Credit outstanding) of any Defaulting Lender shall be excluded for purposes of any vote of Majority Lenders.

“Mandatory Convertible Securities” means equity securities or subordinated debt securities (which subordinated debt securities, if issued by the Borrower, will include subordination to the obligations of the Borrower hereunder), issued by the Borrower or one of its Subsidiaries which (i) are not (w) Mandatory Redeemable Securities (other than Qualified Securities) or (x) Conditional Common Equity and (ii) provide, pursuant to the terms thereof, that the issuer of such securities (or an affiliate of such issuer) may cause (without the payment of additional cash consideration by the issuer thereof) the conversion or exchange of, or has agreed to convert or exchange, such securities to or for equity securities of the Borrower or one of its Subsidiaries upon the occurrence of a certain date or of certain events. A Mandatory Convertible Security that is also a Qualified Security shall be treated as a Mandatory Convertible Security.

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“Mandatory Redeemable Securities” means debt or equity securities (other than Conditional Common Equity, so long as such Conditional Common Equity may not be required, by the holder thereof, to be repurchased or redeemed during the period provided for shareholder approval of conversion pursuant to the terms of such Conditional Common Equity) issued by the Borrower or one of its Subsidiaries which either (i) are subordinated debt securities (which subordinated debt securities, if issued by the Borrower, will include subordination to the obligations of the Borrower hereunder), or (ii) provide, pursuant to the terms thereof, that such securities must be repurchased or redeemed, or the holder of such securities may require the issuer of such securities to repurchase or redeem such securities, upon the occurrence of a certain date or of certain events.

“Material Adverse Effect” means a material adverse effect on (a) the business, assets, property or financial condition of the Borrower and its Subsidiaries taken as a whole, or (b) the validity or enforceability of this Agreement or any of the other Loan Documents or the rights and remedies of the Administrative Agent and the Lenders hereunder or thereunder.

“Material Insurance Subsidiary” means any Insurance Subsidiary (whether existing on or acquired or formed after the Closing Date) having Capital and Surplus equal to 10% or more of the Consolidated Net Worth of the Borrower as of the most recent Annual Statement or Interim Statement of such Insurance Subsidiary.

“Maximum Rate” has the meaning specified in Section 10.20(a).

“Moody’s” means Moody’s Investors Service, Inc. (or any successor thereto).

“Multiemployer Plan” means a Plan that is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

“NAIC” means the National Association of Insurance Commissioners or any successor thereto, or in the absence of the National Association of Insurance Commissioners or such successor, any other association, agency or other organization performing advisory, coordination or other like functions among insurance departments, insurance commissioners and similar Governmental Authorities of the various states of the United States towards the promotion of uniformity in the practices of such Governmental Authorities.

“Non-Excluded Taxes” has the meaning specified in Section 2.16(a).

“Non-Regulated Operating Subsidiary” means each Subsidiary of the Borrower engaged directly (as opposed to indirectly through the ownership of Capital Stock of a Person engaged in a Principal Business) in a Principal Business, whether now owned or hereafter acquired, which is not an Insurance Subsidiary.

“Non-U.S. Lender” has the meaning specified in Section 2.16(d).

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“Note” means any promissory note, including any revolving credit note or swing line note, made by the Borrower in favor of a Lender evidencing any Loan, substantially in the forms of Exhibit C-1 and C-2, as the case may be and as any such Note may be amended, restated, supplemented, modified or replaced from time to time.

“OneBeacon Insurance Group” means OneBeacon Insurance Group, LLC, a Delaware limited liability company, and, for purposes of Section 6.1(b), the grouping of Subsidiaries of OneBeacon Insurance Group identified by NAIC Group Code 1129 (or any successor grouping equivalent thereto).

“OneBeacon Limited” means OneBeacon Insurance Group, Ltd., a company existing under the laws of Bermuda.

“OneBeacon Limited Consolidated Net Worth” means, as at any date, the sum of all amounts that would, in conformity with GAAP be included on a consolidated balance sheet of OneBeacon Limited and its consolidated Subsidiaries under stockholders’ equity at such date, plus minority interests in Subsidiaries, as determined in accordance with GAAP; provided, however, that in calculating OneBeacon Limited Consolidated Net Worth as at any date, there shall be excluded for purposes of the calculation of OneBeacon Limited Consolidated Net Worth any effects resulting from (a) SFAS 115 or (b) the application of FIN 46R.

“OneBeacon Limited Debt to Capitalization Ratio” means, as at the end of any fiscal quarter of OneBeacon Limited, the ratio of (a) OneBeacon Limited Total Consolidated Debt to (b) OneBeacon Limited Total Consolidated Capitalization.

“OneBeacon Limited Total Consolidated Capitalization” means, as at any date, the sum, without duplication, of (a) OneBeacon Limited Consolidated Net Worth plus (b) OneBeacon Limited Total Consolidated Debt plus, (c) the amounts in respect of Trust Preferred Securities, Mandatory Convertible Securities, Mandatory Redeemable Securities, Conditional Common Equity and any other preferred equity that would, in conformity with GAAP, be reflected on a consolidated balance sheet of OneBeacon Limited and its consolidated Subsidiaries prepared as of such date and which are not already included in clause (a) or (b) above. OneBeacon Limited Total Consolidated Capitalization shall in any event not include (x) any obligations (including Guarantee Obligations) in respect of the Fund American Preferred Stock, provided that, arrangements reasonably satisfactory to the Administrative Agent shall have been made for the establishment of grantor trusts to provide for the payment or redemption of the Fund American Preferred Stock, it being understood that such arrangements in effect on the Closing Date are reasonably satisfactory to the Administrative Agent or (y) any effects resulting from the application of FIN 46R. For purposes of this definition, references to the “Borrower” in the definitions of Trust Preferred Securities, Mandatory Convertible Securities, Mandatory Redeemable Securities and Conditional Common Equity shall be deemed to be references to OneBeacon Limited.

“OneBeacon Limited Total Consolidated Debt” means, at any date, the sum, without duplication, of (a) all amounts that would, in conformity with GAAP, be

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reflected and classified as debt on a consolidated balance sheet of OneBeacon Limited and its consolidated Subsidiaries prepared as of such date (other than amounts excluded by clauses (b) and (c) below), (b) Indebtedness represented by (i) Trust Preferred Securities or Qualified Securities (in each case, owned by Persons other than OneBeacon Limited or any of its consolidated Subsidiaries) but only to the extent that such securities (other than Mandatory Convertible Securities) exceed 15% of OneBeacon Limited Total Consolidated Capitalization or (ii) Mandatory Redeemable Securities (owned by Persons other than OneBeacon Limited or any of its consolidated Subsidiaries) other than Qualified Securities, and (c) Indebtedness represented by Mandatory Convertible Securities (owned by Persons other than OneBeacon Limited or any of its consolidated Subsidiaries) but only to the extent that such Mandatory Convertible Securities plus Trust Preferred Securities and Qualified Securities (in each case, owned by Persons other than OneBeacon Limited or any of its consolidated Subsidiaries) exceed 25% of OneBeacon Limited Total Consolidated Capitalization; provided, that in the event that the notes related to the Mandatory Convertible Securities remain outstanding following the exercise of forward purchase contracts related to such Mandatory Convertible Securities, then such outstanding notes will be included in OneBeacon Limited Total Consolidated Debt thereafter. OneBeacon Limited Total Consolidated Debt shall, in any event, not include (a) Hedge Agreements entered into in the ordinary course of business for non-speculative purposes, (b) Indebtedness of OneBeacon Limited of the type described in Sections 7.2(a)(ii), (a)(iii), (a)(iv), (a)(v), and (a)(vi), (c) Conditional Common Equity, (d) any obligations (including Guarantee Obligations) in respect of the Fund American Preferred Stock, provided that, arrangements reasonably satisfactory to the Administrative Agent shall have been made for the establishment of grantor trusts to provide for the payment or redemption of the Fund American Preferred Stock, it being understood that such arrangements in effect on the Closing Date are reasonably satisfactory to the Administrative Agent, (e) any other amounts in respect of Trust Preferred Securities, Mandatory Redeemable Securities, Mandatory Convertible Securities or Qualified Securities, or (f) any effects resulting from the application of FIN 46R. For purposes of this definition, references to the “Borrower” in the definitions of Trust Preferred Securities, Qualified Securities, Mandatory Convertible Securities, Mandatory Redeemable Securities and Conditional Common Equity shall be deemed to be references to OneBeacon Limited.

“Other Taxes” means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

“Participant” has the meaning specified in Section 10.7(d).

“PBGC” means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

“Permitted Liens” means (a) any Lien upon Property to secure any part of the cost of development, construction, alteration, repair or improvement of such Property, or Debt incurred to finance such cost; (b) any extension, renewal or replacement, in

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whole or in part, of any Lien referred to in the foregoing clause (a); (c) any Lien relating to a sale and leaseback transaction; (d) any Lien in favor of the Borrower or any Subsidiary granted by the Borrower or any Subsidiary in order to secure any intercompany obligations; (e) mechanic’s, materialmen’s, carriers’ or other like Liens arising in the ordinary course of business (including construction of facilities) in respect of obligations which are not due or which are being contested in good faith; (f) any Lien arising in connection with any legal proceeding which is being contested in good faith; (g) Liens for taxes not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings; (h) minor survey exceptions, minor encumbrances, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which were not incurred in connection with Debt and which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person; (i) pledges or deposits under workers’ compensation Laws, unemployment insurance Laws or similar social security legislation; (j) any pledge or deposit to secure performance of letters of credit, bank guarantees, bids, leases, statutory obligations, surety and appeal bonds, performance bonds or other obligations of a like nature in the ordinary course of business; (k) any interest or title of a lessor under any lease entered into in the ordinary course of business; (l) Liens on assets of any Insurance Subsidiary securing (i) short-term Debt (i.e. with a maturity of less than one year when issued, provided that such Debt may include an option to extend for up to an additional one year period) incurred to provide short-term liquidity to facilitate claims payments in the event of catastrophe, (ii) Debt incurred in the ordinary course of its business or in securing insurance-related obligations (that do not constitute Debt) and letters of credit issued for the account of any such Subsidiary in the ordinary course of its business or in

securing insurance-related obligations (that do not constitute Debt) or (iii) insurance-related obligations (that do not constitute Debt); and (m) Liens securing the obligations hereunder.

“Person” means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

“Plan” means at a particular time, any employee pension benefit plan that is subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an “employer” as defined in Section 3(5) of ERISA.

“Platform” has the meaning specified in Section 6.2(e).

“Principal Business” means (a) a business of the type engaged in by the Borrower and its Subsidiaries on the date of this Agreement, (b) any other insurance, insurance services, insurance related or risk management related business and (c) any business reasonably incident to any of the foregoing.

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“Property” means any property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible.

“Qualified Securities” means (a) Mandatory Redeemable Securities issued by the Borrower or one of its Subsidiaries that, pursuant to the terms thereof, must be redeemed or repurchased or repaid, or may be required to be redeemed or repurchased or repaid at the option of the holder of such securities (excluding redemption, repurchase or repayment upon the occurrence of one or more events or conditions but including redemption, repurchase or repayment upon the occurrence of a certain date), (i) if such Mandatory Redeemable Securities are equity securities or subordinated debt securities, not sooner than the Revolving Credit Termination Date (except to the extent permitted by clause (ii) below) or (ii) only in exchange for equity securities or other Qualified Securities of the Borrower or any of its Subsidiaries (except to the extent permitted by clause (i) above) and (b) any other debt or equity securities issued by the Borrower or one of its Subsidiaries whose proceeds are or would be accorded, at or about the time of issuance, equity treatment by S&P.

“Refunded Swing Line Loans” has the meaning specified in Section 2.4(b).

“Refunding Date” has the meaning specified in Section 2.4(c).

“Register” has the meaning specified in Section 10.7(c).

“Regulation U” means Regulation U of the Board as in effect from time to time.

“Reimbursement Obligation” means the obligation of the Borrower to reimburse an Issuing Lender pursuant to Section 3.3(a) for amounts drawn under Letters of Credit issued by such Issuing Lender for the account of the Borrower.

“Related Person” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person’s Affiliates.

“Reorganization” means, with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

“Reportable Event” means any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the thirty day notice period is waived.

“Requested Reimbursement Date” has the meaning specified in Section 3.3(a).

“Requirement of Law” means, as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person (excluding, in the case of Section 2.15(a)(i), any of the foregoing relating to the

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Administrative Agent or any Lender), and any Law, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

“Responsible Officer” means, as to the Borrower or any Subsidiary, the chief executive officer, president, chief financial officer, treasurer, chief accounting officer, any vice president or any managing director of the Borrower or any Subsidiary, as the context requires. Any document delivered hereunder that is signed by a Responsible Officer on behalf of the Borrower or a Subsidiary shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of the Borrower or such Subsidiary and such Responsible Officer shall be conclusively presumed to have acted on behalf of the Borrower or such Subsidiary.

“Revolving Credit Commitment” means, as to any Lender, the obligation of such Lender, if any, to make Revolving Credit Loans and participate in Swing Line Loans and Letters of Credit, in an aggregate principal or face amount not to exceed the amount set forth under the heading “Revolving Credit Commitment” opposite such Lender’s name on Schedule 1 to this Agreement, or, as the case may be, in the Assignment and Assumption pursuant to which such Lender became a party hereto, as the same may be adjusted from time to time pursuant to the terms hereof.

“Revolving Credit Commitment Period” means the period from and including the Closing Date to the earliest of (a) the Revolving Credit Termination Date, (b) the date of termination of the Revolving Credit Commitments pursuant to Section 2.7, and (c) the date of termination of the commitment of each Lender to make Loans and of the obligation of the Issuing Lender to make L/C Credit Extensions pursuant to Section 8.2.

“Revolving Credit Loans” has the meaning specified in Section 2.1.

“Revolving Credit Percentage” means, as to any Lender at any time, the percentage (carried out to the ninth decimal place) which such Lender’s Revolving Credit Commitment then constitutes of the Total Revolving Credit Commitments (or, at any time after the commitment of each Lender to make Loans and the obligation of the Issuing Lender to make L/C Credit Extensions shall have terminated pursuant to Section 8.2 or if the Revolving Credit Commitments shall have expired, then the percentage which the aggregate amount of such Lender’s Revolving Extensions of Credit then outstanding constitutes of the amount of the Total Revolving Extensions of Credit then outstanding).

“Revolving Credit Termination Date” means June 19, 2012; provided, however, that, if such date is not a Business Day, the Revolving Credit Termination Date shall be the next succeeding Business Day.

“Revolving Extensions of Credit” means, as to any Lender at any time, an amount equal to the sum of (a) the aggregate principal amount of all Revolving Credit Loans made by such Lender then outstanding, (b) the principal amount equal to such

Lender’s Revolving Credit Percentage of the L/C Obligations then outstanding and (c) the principal amount equal to such Lender’s Revolving Credit Percentage of the aggregate principal amount of Swing Line Loans then outstanding.

“S&P” means Standard & Poor’s Rating Services (or any successor thereto).

“SAP” means with respect to any Insurance Subsidiary, the statutory accounting practices prescribed or permitted by the Department in the jurisdiction of incorporation or organization of such Insurance Subsidiary for the preparation of annual statements and other financial reports by insurance companies of the same type as such Insurance Subsidiary, which are applicable to the circumstances as of the date of determination.

“SEC” means the Securities and Exchange Commission (or successors thereto or an analogous Governmental Authority).

“SFAS” means the Statements of Financial Accounting Standards adopted by the Financial Accounting Standards Board.

“Single Employer Plan” means any Plan that is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

“Sirius” means Sirius International Insurance Corporation, a Swedish corporation.

“SPC” has the meaning specified in Section 10.7(h).

“Specified Event of Default” means an Event of Default pursuant to Sections 8.1(a), 8.1(b) (with respect to Section 7.1 only) or 8.1(c).

“Stated Rate” has the meaning specified in Section 10.20(a).

“Subsidiary” of a Person means (a) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (b) any partnership, limited liability company, association, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a “Subsidiary” shall mean a Subsidiary of the Borrower.

“Swing Line Commitment” means the obligation of the Swing Line Lender to make Swing Line Loans pursuant to Section 2.3 in an aggregate principal amount at any one time outstanding not to exceed \$50,000,000.

“Swing Line Lender” means Bank of America, N.A., in its capacity as provider of Swing Line Loans, or any successor swing line lender hereunder.

“Swing Line Loans” has the meaning specified in Section 2.3(a).

“Swing Line Participation Amount” has the meaning specified in Section 2.4(c).

“Syndication Agent” means Lehman Brothers Inc., and any other Lender as may be designated from time to time by the Borrower as a syndication agent, with the consent of such Lender and the Arrangers.

“Total Consolidated Capitalization” means, as at any date, the sum, without duplication, of (a) Consolidated Net Worth plus (b) Total Consolidated Debt plus, (c) the amounts in respect of Trust Preferred Securities, Mandatory Convertible Securities, Mandatory Redeemable Securities, Conditional Common Equity and any other preferred equity that would, in conformity with GAAP, be reflected on a consolidated balance

sheet of the Borrower and its consolidated Subsidiaries prepared as of such date and which are not already included in clause (a) or (b) above. Total Consolidated Capitalization shall in any event not include (x) any obligations (including Guarantee Obligations) in respect of the Fund American Preferred Stock, provided that, arrangements reasonably satisfactory to the Administrative Agent shall have been made for the establishment of grantor trusts to provide for the payment or redemption of the Fund American Preferred Stock, it being understood that such arrangements in effect on the Closing Date are reasonably satisfactory to the Administrative Agent or (y) any effects resulting from the application of FIN 46R.

“Total Consolidated Debt” means, at any date, the sum, without duplication, of (a) all amounts that would, in conformity with GAAP, be reflected and classified as debt on a consolidated balance sheet of the Borrower and its consolidated Subsidiaries prepared as of such date (other than amounts excluded by clauses (b) and (c) below), (b) Indebtedness represented by (i) Trust Preferred Securities or Qualified Securities (in each case, owned by Persons other than the Borrower or any of its consolidated Subsidiaries) but only to the extent that such securities (other than Mandatory Convertible Securities) exceed 15% of Total Consolidated Capitalization or (ii) Mandatory Redeemable Securities (owned by Persons other than the Borrower or any of its consolidated Subsidiaries) other than Qualified Securities, and (c) Indebtedness represented by Mandatory Convertible Securities (owned by Persons other than the Borrower or any of its consolidated Subsidiaries) but only to the extent that such Mandatory Convertible Securities plus Trust Preferred Securities and Qualified Securities (in each case, owned by Persons other than the Borrower or any of its consolidated Subsidiaries) exceed 25% of Total Consolidated Capitalization; provided, that in the event that the notes related to the Mandatory Convertible Securities remain outstanding following the exercise of forward purchase contracts related to such Mandatory Convertible Securities, then such outstanding notes will be included in Total Consolidated Debt thereafter. Total Consolidated Debt shall, in any event, not include (1) Hedge Agreements entered into in the ordinary course of business for non-speculative purposes, (2) Indebtedness of the type described in Sections 7.2(a)(ii), (a)(iii), (a)(iv), (a)(vi) and (a)(vii), (3) Conditional Common Equity, (4) any obligations (including Guarantee Obligations) in respect of the Fund American Preferred Stock, provided that,

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arrangements reasonably satisfactory to the Administrative Agent shall have been made for the establishment of grantor trusts to provide for the payment or redemption of the Fund American Preferred Stock, it being understood that such arrangements in effect on the Closing Date are reasonably satisfactory to the Administrative Agent, (5) any other amounts in respect of Trust Preferred Securities, Mandatory Redeemable Securities, Mandatory Convertible Securities or Qualified Securities, or (6) any effects resulting from the application of FIN 46R.

“Total Consolidated Debt to Total Consolidated Capitalization Ratio” means, as at the end of any fiscal quarter of the Borrower, the ratio of (a) Total Consolidated Debt to (b) Total Consolidated Capitalization.

“Total Revolving Credit Commitments” means, at any time, the aggregate amount of the Revolving Credit Commitments then in effect. The aggregate amount of the Total Revolving Credit Commitments on the Closing Date is \$475,000,000.

“Total Revolving Extensions of Credit” means, at any time, the aggregate amount of the Revolving Extensions of Credit of the Lenders outstanding at such time.

“Transferee” means a Participant or an assignee of any Lender’s rights and obligations under this Agreement pursuant to an Assignment and Assumption.

“Trust Preferred Securities” means preferred equity issued by a special purpose entity, the proceeds of which are used to purchase subordinated debt securities of the Borrower or one of its Subsidiaries having terms that substantially mirror those of such preferred equity issued by the special purpose entity such that the subordinated debt securities constitute credit support for obligations in respect of such preferred equity and such preferred equity is reflected on a consolidated balance sheet of the Borrower and its consolidated Subsidiaries in accordance with GAAP.

“Type” means, as to any Loan, its nature as a Base Rate Loan or a Eurodollar Loan.

“Unreimbursed Amount” has the meaning specified in Section 3.3(a).

“White Mountains Re” means White Mountains Re Group, Ltd., a company organized under the laws of Bermuda.

“Zenith Preferred Stock” means the \$20,000,000 aggregate liquidation preference amount of non-voting preferred stock issued by Fund American Enterprises to Zenith Insurance Company pursuant to the Certificate of Designation of Series A Preferred Stock of TACK Holding Corp. (n/k/a Fund American Enterprises), as amended, supplemented or otherwise modified from time to time.

1.2. Other Definitional Provisions. Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto.

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(a) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, accounting terms relating to the Borrower or its Subsidiaries not defined in Section 1.1 and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP or SAP, as the case may be.

(b) References herein to particular pages, columns, lines or sections of any Person’s Annual Statement shall be deemed, where appropriate, to be references to the corresponding page, column, line or section of such Person’s Interim Statement, or if no such corresponding page, column, line or section exists or if any report form changes, then to the corresponding item referenced thereby.

(c) The words “hereof”, “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(e) The word “or” is not exclusive and the words “include”, “includes” or “including” shall be deemed to be followed by the phrase “without limitation”.

(f) References to “preferred equity” includes Capital Stock designated as preferred stock, preference shares, preferred shares or any similar term.

1.3. Letter of Credit Amounts. Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the stated amount of such Letter of Credit in effect at such time; provided, however, that with respect to any Letter of Credit that, by its terms or the terms of any Issuer Document related thereto, provides for one or more automatic increases in the stated amount thereof, other than with respect to the calculation of fees in connection with Letters of Credit, the amount of such Letter of Credit shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at such time.

1.4. Rounding. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.5. Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

2. AMOUNT AND TERMS OF COMMITMENTS

2.1. Revolving Credit Commitments. (a) Subject to the terms and conditions hereof, the Lenders severally agree to make revolving credit loans (“Revolving Credit Loans”) to

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the Borrower from time to time on any Business Day during the Revolving Credit Commitment Period in an aggregate principal amount at any one time outstanding for each Lender which, when added to such Lender’s Revolving Credit Percentage of the sum of (i) the L/C Obligations then outstanding and (ii) the aggregate principal amount of the Swing Line Loans then outstanding, does not exceed the amount of such Lender’s Revolving Credit Commitment. During the Revolving Credit Commitment Period the Borrower may use the Revolving Credit Commitments by borrowing, prepaying the Revolving Credit Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof. The Revolving Credit Loans may from time to time be Eurodollar Loans or Base Rate Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Sections 2.2 and 2.9, provided that no Revolving Credit Loan shall be made as a Eurodollar Loan after the day that is one month prior to the Revolving Credit Termination Date.

(b) The Borrower shall repay to the Lenders all outstanding Revolving Credit Loans made to the Borrower on the Revolving Credit Termination Date.

2.2. Procedure for Revolving Credit Borrowing. The Borrower may borrow under the Revolving Credit Commitments on any Business Day during the Revolving Credit Commitment Period, provided that the Borrower shall give the Administrative Agent a borrowing request in the form of Exhibit B-1 hereto (hereinafter, a “Borrowing Request”) (which Borrowing Request must be received by the Administrative Agent prior to 11:00 A.M., New York City time, (a) three Business Days prior to the requested Borrowing Date, in the case of Eurodollar Loans, or (b) on the requested Borrowing Date, in the case of Base Rate Loans, provided that requests for Base Rate Loans not received prior to 11:00 A.M., New York City time on the requested Borrowing Date shall be deemed received on the following Business Day), and must specify (i) the amount and Type of Revolving Credit Loans to be borrowed, (ii) the requested Borrowing Date and (iii) in the case of Eurodollar Loans, the length of the initial Interest Period therefor; provided, however, that if the Borrower wishes to request Eurodollar Loans having an Interest Period of nine or twelve months in duration as provided in the definition of “Interest Period,” the applicable notice must be received by the Administrative Agent not later than 11:00 A.M. New York City time, four Business Days prior to the requested date of such borrowing, whereupon the Administrative Agent shall give prompt notice to the Lenders of such request and determine whether the requested Interest Period is unavailable to any of them. Not later than 10:00 A.M. New York City time, three Business Days before the requested date of such borrowing, the Administrative Agent shall notify the Borrower (which notice may be by telephone) whether or not the requested Interest Period is unavailable to any Lender. If the Borrower requests a borrowing of Eurodollar Loans in any Borrowing Request, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month. Each borrowing of Revolving Credit Loans under the Revolving Credit Commitments shall be in an amount equal to (x) in the case of Base Rate Loans, \$1,000,000 or a whole multiple thereof (or, if the then aggregate Available Revolving Credit Commitments are less than \$1,000,000, such lesser amount) and (y) in the case of Eurodollar Loans, \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof; provided, that the Swing Line Lender may request, on behalf of the Borrower, borrowings of Base Rate Loans under the Revolving Credit Commitments in other amounts pursuant to Section 2.4. Upon receipt of any such notice from the Borrower, the Administrative Agent shall promptly notify each Lender thereof. Each Lender will make its Revolving Credit Percentage of the amount of each borrowing of Revolving Credit

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Loans available to the Administrative Agent for the account of the Borrower at the Administrative Agent’s Office prior to 12:00 Noon, New York City time, on the Borrowing Date requested by the Borrower in funds immediately available to the Administrative Agent. Such borrowing will then be made available to the Borrower by the Administrative Agent in like funds as received by the Administrative Agent.

2.3. Swing Line Commitment. (a) Subject to the terms and conditions hereof, the Swing Line Lender agrees, in reliance on the agreements of the other Lenders set forth in Section 2.4, that during the Revolving Credit Commitment Period, it will make available to the Borrower in the form of swing line loans (“Swing Line Loans”) a portion of the credit otherwise available to the Borrower under the Revolving Credit Commitments; provided that (i) the aggregate principal amount of Swing Line Loans outstanding at any time shall not exceed the Swing Line Commitment then in effect (notwithstanding that the Swing Line Loans outstanding at any time, when aggregated with the Swing Line Lender’s other outstanding Revolving Credit Loans hereunder, may exceed the Swing Line Commitment then in effect or such Swing Line Lender’s Revolving Credit Commitment then in effect) and (ii) the Borrower shall not request, and the Swing Line Lender shall not make, any Swing Line Loan if, after giving effect to the making of such Swing Line Loan, the aggregate amount of the Available Revolving Credit Commitments would be less than zero. During the Revolving Credit Commitment Period, the Borrower may use the Swing Line Commitment by borrowing, repaying and reborrowing, all in accordance with the terms and conditions hereof. Swing Line Loans shall be Base Rate Loans only.

(b) The Borrower shall repay all outstanding Swing Line Loans on the Revolving Credit Termination Date. Each payment in respect of Swing Line Loans shall be made to the Swing Line Lender.

2.4. Procedure for Swing Line Borrowing; Refunding of Swing Line Loans. (a) The Borrower may borrow under the Swing Line Commitment on any Business Day during the Revolving Credit Commitment Period, provided, the Borrower shall give the Swing Line Lender irrevocable telephonic notice confirmed promptly in writing in the form of Exhibit B-2 (which telephonic notice must be received by the Swing Line Lender not later than 1:00 P.M., New York City time, on the proposed Borrowing Date), specifying (i) the amount to be borrowed and (ii) the requested Borrowing Date. Each borrowing under the Swing Line Commitment shall be in an amount equal to \$500,000 or a whole multiple of \$100,000 in excess thereof. Not later than 3:00 P.M., New York City time, on the Borrowing Date specified in the borrowing notice in respect of any Swing Line Loan, the Swing Line Lender shall make available to the Administrative Agent at the Administrative Agent’s Office an amount in immediately available funds equal to the amount of such Swing Line Loan. The Administrative Agent shall make the proceeds of such Swing Line Loan available to the Borrower on such Borrowing Date in like funds as received by the Administrative Agent.

(b) The Swing Line Lender, not less frequently than once each week shall, and at any other time, from time to time, as the Swing Line Lender elects in its sole and absolute discretion, may, on behalf of the Borrower (which hereby irrevocably directs the Swing Line Lender to act on its behalf), on one Business Day’s notice given by the Swing Line Lender no later than 12:00 Noon, New York City time, request each Lender to make, and each Lender hereby agrees to make, a Revolving Credit Loan, in an amount equal to such Lender’s Revolving

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Credit Percentage of the aggregate amount of the Swing Line Loans (the “Refunded Swing Line Loans”) outstanding on the date of such notice, to repay the Swing Line Lender. Each Lender shall make the amount of such Revolving Credit Loan available to the Administrative Agent at the Administrative Agent’s Office in immediately available funds, not later than 10:00 A.M., New York City time, one Business Day after the date of such notice. The proceeds of such Revolving Credit Loans shall be made immediately available by the Administrative Agent to the Swing Line Lender for application by the Swing Line Lender to the repayment of the Refunded Swing Line Loans. Upon the written request of any Lender, the Administrative Agent will, within three Business Days of such request, inform such Lender of the aggregate amount of Swing Line Loans outstanding on the date of such request.

(c) If prior to the time a Revolving Credit Loan would have otherwise been made pursuant to Section 2.4(b), one of the events described in Section 8.1(c) shall have occurred and be continuing with respect to the Borrower, or if for any other reason, as determined by the Swing Line Lender in its sole discretion, Revolving Credit Loans may not be made as contemplated by Section 2.4(b), each Lender shall, on the date such Revolving Credit Loan was to have been made pursuant to the notice referred to in Section 2.4(b) (the “Refunding Date”), purchase for cash an undivided participating interest in the then outstanding Swing Line Loans by paying to the Swing Line Lender an amount (the “Swing Line Participation Amount”) equal to (i) such Lender’s Revolving Credit Percentage times (ii) the sum of the aggregate principal amount of Swing Line Loans then outstanding which were to have been repaid with such Revolving Credit Loans.

(d) If any Lender fails to make available to the Administrative Agent for the account of the Swing Line Lender any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.4(b) by the time specified in Section 2.4(b), the Swing Line Lender shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the Swing Line Lender at a rate per annum equal to the greater of the Federal Funds Rate and a rate determined by the Swing Line Lender in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the Swing Line Lender in connection with the foregoing. If such Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Lender’s Loan included in the relevant borrowing or funded participation in the relevant Swing Line Loan, as the case may be. A certificate of the Swing Line Lender submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this paragraph (d) shall be conclusive absent manifest error.

(e) Each Lender’s obligation to make the Loans referred to in Section 2.4(b) and to purchase participating interests pursuant to Section 2.4(c) shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against the Swing Line Lender, the Borrower or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 4; (iii) any adverse change in the condition (financial or otherwise) of the Borrower; (iv) any breach of this Agreement or any other Loan Document by

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the Borrower or any Lender; or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. No such funding of risk participations shall relieve or otherwise impair the obligation of the Borrower to repay Swing Line Loans, together with interest as provided herein.

(f) Whenever, at any time after the Swing Line Lender has received from any Lender such Lender’s Swing Line Participation Amount, the Swing Line Lender receives any payment on account of the Swing Line Loans, the Swing Line Lender will distribute to such Lender its Swing

Line Participation Amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded and, in the case of principal and interest payments, to reflect such Lender's pro rata portion of such payment if such payment is not sufficient to pay the principal of and interest on all Swing Line Loans then due); provided, however, that in the event that such payment received by the Swing Line Lender is required to be returned, such Lender will return to the Swing Line Lender any portion thereof previously distributed to it by the Swing Line Lender. The obligation of the Lenders under this paragraph (f) shall survive the payment in full of the Obligations and the termination of this Agreement.

(g) The Swing Line Lender shall be responsible for invoicing the Borrower for interest on the Swing Line Loans. Until each Lender funds its Refunded Swing Line Loan or risk participation pursuant to this Section 2.4 to refinance such Lender's Revolving Credit Percentage of any Swing Line Loan, interest in respect of such Revolving Credit Percentage shall be solely for the account of the Swing Line Lender.

(h) The Borrower shall make all payments of principal and interest in respect of the Swing Line Loans directly to the Administrative Agent for the account of the Swing Line Lender.

2.5. Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of the appropriate Lender (i) the then unpaid principal amount on the Revolving Credit Termination Date (or on such earlier date on which the Loans become due and payable pursuant to Section 8.2) of each Revolving Credit Loan of such Lender made to the Borrower and (ii) the then unpaid principal amount on the Revolving Credit Termination Date (or on such earlier date on which the Loans become due and payable pursuant to Section 8.2) of each Swing Line Loan of such Swing Line Lender made to the Borrower. The Borrower hereby further agrees to pay interest to the Administrative Agent for the account of the appropriate Lender on the unpaid principal amount of the Loans made to it from time to time outstanding from the date hereof until payment in full thereof at the rates per annum, and on the dates, set forth in Section 2.11.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Lender resulting from each Loan of such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(c) The Administrative Agent, on behalf of the Borrower, shall maintain the Register pursuant to Section 10.7(c), and a subaccount therein for each Lender, in which shall be

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recorded (i) the amount of each Loan to the Borrower made hereunder and any Note evidencing such Loan, the Type of such Loan and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from or for the account of the Borrower and each Lender's share thereof. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

(d) The entries made in the Register and the accounts of each Lender maintained pursuant to Section 2.5(b) shall, to the extent permitted by applicable Law, be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Loans made to it by such Lender in accordance with the terms of this Agreement.

(e) The Borrower agrees that, upon the request to the Administrative Agent by any Lender, it will execute and deliver to such Lender a promissory note of the Borrower evidencing any Revolving Credit Loans or Swing Line Loans, as the case may be, made by such Lender to the Borrower, substantially in the forms of Exhibit C-1 or C-2, respectively, with appropriate insertions as to date and principal amount. Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount and maturity of its Loans and payments with respect thereto.

(f) In addition to the accounts and records referred to herein above, each Lender and the Administrative Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Lender of participations in Letters of Credit and Swing Line Loans. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

2.6. Facility Fee, etc. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender in accordance with its Revolving Credit Percentage a facility fee for the period from and including the Closing Date to the last day of the Revolving Credit Commitment Period, computed at the Facility Fee Rate on the average daily amount of the Revolving Credit Commitment of such Lender during the period for which payment is made. The facility fee shall accrue at all times during the Revolving Credit Commitment Period, including at any time during which one or more of the conditions in Section 4.2 is not met, and shall be payable quarterly in arrears on the first Business Day of each of January, April, July and October and on the last day of the Revolving Credit Commitment Period, commencing on the first of such dates to occur after the Closing Date. The facility fee shall be calculated quarterly in arrears, and if there is any change in the Facility Fee Rate during any quarter, the actual daily amount shall be computed and multiplied by the Facility Fee Rate separately for each period during such quarter that the Facility Fee Rate was in effect.

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(b) The Borrower agrees to pay to the Arrangers for their own respective accounts the fees in the amounts and on the dates from time to time agreed to in the Arranger Fee Letter.

(c) The Borrower agrees to pay to the Administrative Agent the fees in the amounts and on the dates from time to time agreed to in the Agent Fee Letter.

2.7. Termination or Reduction of Revolving Credit Commitments. The Borrower shall have the right, upon notice to the Administrative Agent, to terminate the Revolving Credit Commitments or, from time to time, to reduce the aggregate amount of the Revolving Credit Commitments; provided that (a) no such termination or reduction of Revolving Credit Commitments shall be permitted if, after giving effect thereto and to any prepayments of the Revolving Credit Loans and Swing Line Loans made on the effective date thereof, the Total Revolving Extensions of Credit would exceed the Total Revolving Credit Commitments, (b) any such reduction shall be in an amount equal to \$1,000,000, or a whole multiple thereof (or the remaining amount of the Revolving Credit Commitments), (c) any such notice shall be received by the Administrative Agent not later than 11:00 A.M. New York City time, three Business Days prior to the date of termination or reduction and (d) if, after giving effect to any reduction of the Revolving Credit Commitments, the L/C Commitment or the Swing Line Commitment exceeds the amount of the Revolving Credit Commitment, such Commitment shall be automatically reduced by the amount of such excess; provided, further, that a notice of termination of the Revolving Credit Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, transactions or borrowings in general, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. The Administrative Agent will promptly notify the Lenders of any notice of termination or reduction of the Revolving Credit Commitments. Any reduction of the Revolving Credit Commitments shall be applied to the Revolving Credit Commitment of each Lender according to its Revolving Credit Percentage. All fees accrued until the effective date of any termination of the Revolving Credit Commitment shall be paid on the effective date of such termination. Any reduction shall reduce permanently the Revolving Credit Commitments then in effect.

2.8. Prepayments. (a) The Borrower may at any time and from time to time prepay the Loans made to the Borrower, in whole or in part, without premium or penalty, upon notice delivered to the Administrative Agent at least three Business Days prior thereto in the case of Eurodollar Loans and on the date of prepayment in the case of Base Rate Loans, which notice shall specify the date and amount of prepayment and whether the prepayment is of Eurodollar Loans or Base Rate Loans; provided, that (i) if a Eurodollar Loan is prepaid on any day other than the last day of the Interest Period applicable thereto, the Borrower shall also pay any amounts owing pursuant to Section 2.17 and (ii) no prior notice is required for the prepayment of Swing Line Loans; provided, further, that, if a notice of prepayment is given in connection with a conditional notice of termination of the Revolving Credit Commitments as contemplated by Section 2.7, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.7. Upon receipt of any such notice the Administrative Agent shall promptly notify the Lenders thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with (except in the case of Base Rate Loans) accrued interest to such date on the amount prepaid.

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Partial prepayments of Revolving Credit Loans shall be in an aggregate principal amount of \$1,000,000 or a whole multiple thereof. Partial prepayments of Swing Line Loans shall be in an aggregate principal amount of \$100,000 or a whole multiple thereof.

(b) If for any reason the Total Revolving Extensions of Credit at any time exceed the Total Revolving Credit Commitments then in effect, the Borrower shall immediately prepay the Loans and/or Cash Collateralize the L/C Obligations in an aggregate amount equal to such excess; provided, however, that the Borrower shall not be required to Cash Collateralize the L/C Obligations pursuant to this Section 2.8(b) unless after the prepayment in full of the Loans the Total Revolving Extensions of Credit exceed the Total Revolving Credit Commitments then in effect.

2.9. Conversion and Continuation Options. (a) The Borrower may elect from time to time to convert Eurodollar Loans made to the Borrower to Base Rate Loans by giving the Administrative Agent at least two Business Days' prior irrevocable notice (which may be telephonic) of such election. The Borrower may elect from time to time to convert Base Rate Loans made to the Borrower to Eurodollar Loans by giving the Administrative Agent at least three Business Days' prior irrevocable notice (which may be telephonic) of such election (which notice shall specify the length of the initial Interest Period therefor); provided, however, that if the Borrower wishes to request Eurodollar Loans having an Interest Period of nine or twelve months in duration as provided in the definition of "Interest Period", the applicable notice must be received by the Administrative Agent not later than 11:00 A.M. New York City time, four Business Days prior to the requested date of such conversion or continuation, whereupon the Administrative Agent shall give prompt notice to the Lenders of such request and determine whether the requested Interest Period is unavailable to any of them. Not later than 10:00 A.M. New York City time, three Business Days before the requested date of such conversion or continuation, the Administrative Agent shall notify the Borrower (which notice may be by telephone) whether or not the requested Interest Period is unavailable to any of the Lenders, provided, further that no Base Rate Loan may be converted to a Eurodollar Loan (i) when any Event of Default has occurred and is continuing and the Administrative Agent or the Majority Lenders have determined in its or their sole discretion not to permit such conversions or (ii) after the date that is one month prior to the Revolving Credit Termination Date. Each telephonic notice by the Borrower pursuant to this Section 2.9 must be confirmed promptly by delivery to the Administrative Agent of a written Borrowing Request appropriately completed and signed by a Responsible Officer of the Borrower. If the Borrower requests a conversion to a Eurodollar Loan in any Borrowing Request, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month. Upon receipt of any such notice the Administrative Agent shall promptly notify the Lenders thereof.

(b) The Borrower may elect to continue any Eurodollar Loan made to the Borrower as such upon the expiration of the then current Interest Period with respect thereto by giving irrevocable notice (which may be telephonic) to the Administrative Agent, in accordance with the applicable provisions of the term "Interest Period" set forth in Section 1.1, of the length of the next Interest Period to be applicable to such Loans, provided that no Eurodollar Loan may be continued as such (i) when any Event of Default has occurred and is continuing and the Administrative Agent or the Majority Lenders have, determined in its or their sole discretion not to permit such continuations or (ii) after the date that is one month prior to the Revolving Credit

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Termination Date, and provided, further, that if the Borrower shall fail to give any required notice as described above in this paragraph or if such continuation is not permitted pursuant to the preceding proviso, such Loans shall be converted automatically to Base Rate Loans on the last day of such then expiring Interest Period. Each telephonic notice by the Borrower pursuant to this Section 2.9 must be confirmed promptly by delivery to the Administrative Agent of a written Borrowing Request appropriately completed and signed by a Responsible Officer of the Borrower. Upon receipt of any such notice the Administrative Agent shall promptly notify the Lenders thereof.

2.10. Maximum Number of Eurodollar Loans. Notwithstanding anything to the contrary in this Agreement, all borrowings, conversions, continuations and optional prepayments of Eurodollar Loans and all selections of Interest Periods shall be in such amounts and be made pursuant to such elections so that no more than ten Eurodollar Loans shall be outstanding at any one time.

2.11. Interest Rates and Payment Dates. (a) Subject to the provisions of paragraph (c) below, each Eurodollar Loan shall bear interest on the outstanding principal amount thereof for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such day plus the Applicable Margin.

(b) Each Base Rate Loan, including Swing Line Loans, shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate.

(c) (i) If all or a portion of the principal amount of any Loan or Reimbursement Obligation shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum that is equal to (x) in the case of the Loans, the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this Section 2.11 plus 2% or (y) in the case of Reimbursement Obligations, the rate applicable to Base Rate Loans plus 2%, and (ii) if all or a portion of any interest payable on any Loan or Reimbursement Obligation or any facility fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum equal to the rate then applicable to Base Rate Loans plus 2%, in each case, with respect to clauses (i) and (ii) above, from the date of such non-payment until such amount is paid in full (each of the foregoing collectively, the "Default Rate").

(d) Interest shall be payable in arrears on each Interest Payment Date, provided that interest accruing pursuant to paragraph (c) of this Section 2.11 shall be payable from time to time on demand (after as well as before judgment and before and after the commencement of any proceeding under any Debtor Relief Law).

2.12. Computation of Interest and Fees. (a) Interest, fees and commissions payable pursuant hereto shall be calculated on the basis of a 365-day (or 366-day, as the case may be) year for the actual days elapsed, except that, with respect to Eurodollar Loans, the interest thereon shall be calculated on the basis of a 360-day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower and the Lenders of

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each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the Base Rate shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify the Borrower and the Lenders of the effective date and the amount of each such change in any interest rate. Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.14(d), bear interest for one day.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error.

2.13. Inability to Determine Interest Rate. If prior to the first day of any Interest Period:

(a) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period, or

(b) the Administrative Agent shall have received notice from the Majority Lenders that the Eurodollar Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to such Lenders (as conclusively certified by such Lenders) of making or maintaining their affected Loans during such Interest Period,

the Administrative Agent shall give telecopy or telephonic notice thereof to the Borrower and the relevant Lenders as soon as practicable thereafter. If such notice is given (x) any Eurodollar Loans requested to be made on the first day of such Interest Period shall be made as Base Rate Loans, (y) any Loans that were to have been converted on the first day of such Interest Period to Eurodollar Loans shall be continued as Base Rate Loans and (z) any outstanding Eurodollar Loans shall be converted, on the last day of the then current Interest Period with respect thereto, to Base Rate Loans. Until such notice has been withdrawn by the Administrative Agent, no further Eurodollar Loans shall be made or continued as such, nor shall the Borrower have the right to convert Loans to Eurodollar Loans.

2.14. Pro Rata Treatment and Payments. (a) Each borrowing, other than borrowings of Swing Line Loans, by the Borrower from the Lenders hereunder, each payment by the Borrower on account of any facility fee or Letter of Credit fee, and any reduction of the Revolving Credit Commitments of the Lenders, shall be made pro rata according to the respective Revolving Credit Percentages of the relevant Lenders.

(b) Each payment (including each prepayment) by the Borrower on account of principal of and interest on the Revolving Credit Loans of the Borrower shall be made pro rata according to the respective outstanding principal amounts of the Revolving Credit Loans of the

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Borrower then held by the Lenders. Each payment in respect of Reimbursement Obligations in respect of any Letter of Credit shall be made to the relevant Issuing Lender.

(c) The application of any payment of Loans shall be made, first, to Base Rate Loans and, second, to Eurodollar Loans. Each payment of the Eurodollar Loans shall be accompanied by accrued interest to the date of such payment on the amount paid.

(d) All payments (including prepayments) to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff and shall be made prior to 12:00 Noon, New York City time, on the due date thereof to the Administrative Agent, for the account of the relevant Lenders, at the Administrative Agent's Office, in Dollars and in immediately available funds. Any payment made by the Borrower after 12:00 Noon, New York City time, on any Business Day shall be deemed to have been made on the next following Business Day. The Administrative Agent shall distribute such payments to the Lenders promptly upon receipt in like funds as received. If any payment hereunder (other than payments on the Eurodollar Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day. If any payment on a Eurodollar Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day. In the case of any extension of any payment of principal pursuant to the preceding two sentences, interest thereon shall be payable at the then applicable rate during such extension.

(e) Unless the Borrower or any Lender has notified the Administrative Agent, prior to the date any payment is required to be made by it to the Administrative Agent hereunder, that the Borrower or such Lender, as the case may be, will not make such payment, the Administrative Agent may assume that the Borrower or such Lender, as the case may be, has timely made such payment and may (but shall not be so required to), in reliance thereon, make available a corresponding amount to the Person entitled thereto. If and to the extent that such payment was not in fact made to the Administrative Agent in immediately available funds, then:

(i) if the Borrower failed to make such payment, each Lender shall forthwith on demand repay to the Administrative Agent the portion of such assumed payment that was made available to such Lender in immediately available funds, together with interest thereon in respect of each day from and including the date such amount was made available by the Administrative Agent to such Lender to the date such amount is repaid to the Administrative Agent in immediately available funds at the Federal Funds Rate from time to time in effect; and

(ii) if any Lender failed to make such payment, such Lender shall forthwith on demand pay to the Administrative Agent the amount thereof in immediately available funds, together with interest thereon for the period from the date such amount was made available by the Administrative Agent to the Borrower to the date such amount is recovered by the Administrative Agent (the

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“Compensation Period”) at a rate per annum equal to the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the Administrative Agent in connection with the foregoing. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Revolving Credit Percentage of the Loan included in the applicable borrowing. If such Lender does not pay such amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent may make a demand therefor upon the Borrower, and the Borrower shall pay such amount to the Administrative Agent, together with interest thereon for the Compensation Period at a rate per annum equal to the rate of interest applicable to the applicable borrowing. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its Revolving Credit Commitment or to prejudice any rights which the Administrative Agent or the Borrower may have against any Lender as a result of any default by such Lender hereunder.

A notice of the Administrative Agent to any Lender or the Borrower with respect to any amount owing under this subsection (e) shall be conclusive, absent manifest error.

(f) The obligations of the Lenders hereunder to make Loans, to fund participations in Letters of Credit and Swing Line Loans and to make payments under Section 10.6 are several and not joint. The failure of any Lender to make any Loan, to fund any such participation or to make any payment under Section 10.6 on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan, to purchase its participation or make its payment under Section 10.6.

2.15. Requirements of Law. (a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any Application or any Eurodollar Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Non-Excluded Taxes or Other Taxes covered by Section 2.16 and the imposition of, or any change in, the rate of any Excluded Tax payable by such Lender);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender that is not otherwise included in the determination of the Eurodollar Rate hereunder; or

(iii) shall impose on such Lender any other condition;

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and the result of any of the foregoing is to increase the cost to such Lender, by an amount which such Lender deems to be material, of making, converting into, continuing or maintaining Eurodollar Loans to the Borrower or issuing or participating in Letters of Credit issued at the request of the Borrower, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay such Lender, upon its demand, any

additional amounts necessary to compensate such Lender for such increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this Section 2.15, it shall promptly notify the Borrower (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled.

(b) If any Lender shall have determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder or under or in respect of any Letter of Credit to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to the Borrower (with a copy to the Administrative Agent) of a written request therefor, the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such corporation for such reduction.

(c) In addition to, and without duplication of, amounts which may become payable from time to time pursuant to paragraphs (a) and (b) of this Section 2.15, the Borrower agrees to pay to each Lender which requests compensation under this paragraph (c) by notice to the Borrower, on the last day of each Interest Period with respect to any Eurodollar Loan made by such Lender to the Borrower, at any time when such Lender shall be required to maintain reserves against "Eurocurrency liabilities" under Regulation D of the Board of Governors of the Federal Reserve System (or, at any time when such Lender may be required by the Board of Governors of the Federal Reserve System or by any other Governmental Authority, whether within the United States or in another relevant jurisdiction, to maintain reserves against any other category of liabilities which includes deposits by reference to which the Eurodollar Rate is determined as provided in this Agreement or against any category of extensions of credit or other assets of such Lender which includes any such Eurodollar Loans), an additional amount (determined by such Lender's calculation or, if an accurate calculation is impracticable, reasonable estimate using such reasonable means of allocation as such Lender shall determine) equal to the actual costs, if any, incurred by such Lender during such Interest Period as a result of the applicability of the foregoing reserves to such Eurodollar Loans.

(d) A certificate as to any additional amounts payable pursuant to this Section 2.15 submitted by any Lender to the Borrower (with a copy to the Administrative Agent) shall be conclusive in the absence of manifest error. No Lender shall be entitled to compensation under this Section 2.15 from the Borrower for any costs incurred or reductions suffered more than 180 days prior to the date that such Lender notifies the Borrower of the circumstances giving rise to such increased costs or reductions and of such Lender's intention to claim compensation

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therefor; provided that if a change of law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof. The obligations of the Borrower pursuant to this Section 2.15 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.16. Taxes. (a) Except as required by Law, all payments made by the Borrower under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding net income taxes and franchise and doing business taxes (imposed in lieu of net income taxes) imposed on the Administrative Agent or any Lender as a result of a present or former connection between the Administrative Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Administrative Agent's or such Lender's having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document) (such net income taxes and franchise or doing business taxes imposed in lieu of net income taxes being referred to hereinafter as "Excluded Taxes"). If any such taxes, levies, imposts, duties, charges, fees, deductions or withholdings other than Excluded Taxes ("Non-Excluded Taxes") or any Other Taxes are required to be withheld from any amounts payable to the Administrative Agent or any Lender hereunder, the amounts so payable to the Administrative Agent or such Lender shall be increased to the extent necessary to yield to the Administrative Agent or such Lender (after payment of all Non-Excluded Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement; provided, however, that the Borrower shall not be required to increase any such amounts payable to any Lender with respect to any Non-Excluded Taxes (i) that are attributable to such Lender's failure to comply with the requirements of paragraph (d) or (e) of this Section 2.16 or (ii) that are withholding taxes imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement or designates a new lending office, except to the extent that such Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office or assignment, to receive additional amounts from the Borrower with respect to such Non-Excluded Taxes pursuant to this Section 2.16(a).

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable Law.

(c) Whenever any Non-Excluded Taxes or Other Taxes are payable by the Borrower, as soon as practicable thereafter the Borrower shall send to the Administrative Agent for its own account or for the account of the relevant Lender, as the case may be, a certified copy of an official receipt received by the Borrower showing payment thereof (or other evidence of such payment reasonably satisfactory to the Administrative Agent). If the Borrower fails to pay any Non-Excluded Taxes or Other Taxes when due to the appropriate taxing authority, the Borrower shall indemnify the Administrative Agent and the Lenders for any incremental taxes, interest or penalties that may become payable by the Administrative Agent or any Lender as a result of any such failure. The agreements in this Section 2.16 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

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(d) Each Lender (or Transferee) that is not (i) a citizen or resident of the United States of America, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States of America (or any jurisdiction thereof), or (iii) an estate or trust that is subject to U.S. federal income taxation regardless of the source of its income (a "Non-U.S. Lender") that may lawfully do so shall deliver to the Borrower and the Administrative Agent (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two copies of either U.S.

Internal Revenue Service Form W-8BEN or Form W-8ECI (or other applicable form), or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a statement substantially in the form of Exhibit D and a Form W-8BEN (or other applicable form), or to the extent such Lender may lawfully do so, it shall deliver any subsequent versions thereof or successors thereto properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by the Borrower under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation). In addition, to the extent it may lawfully do so, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Each Non-U.S. Lender shall, as soon as reasonably practicable, notify the Borrower at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Borrower (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Lender is not legally able to deliver.

(e) A Lender that is entitled to an exemption from or reduction of non-U.S. withholding tax under the Law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable Law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable Law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate, provided that such Lender is legally entitled to complete, execute and deliver such documentation.

2.17. Compensation for Losses. The Borrower agrees to, upon demand of any Lender (with a copy to the Administrative Agent) from time to time, to indemnify each Lender for, and to hold each Lender harmless from, any loss or expense that such Lender sustains or incurs as a consequence of (a) default by the Borrower in making a borrowing of, conversion to or continuation of Eurodollar Loans after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by the Borrower in making any prepayment after the Borrower has given a notice thereof in accordance with the provisions of this Agreement or (c) the making by the Borrower of a prepayment or conversion of Eurodollar Loans on a day that is not the last day of an Interest Period with respect thereto; provided that any request for indemnification made by a Lender pursuant to this Section 2.17 shall be made within six months of the incurrence of the loss or expense requested to be indemnified. Such indemnification may include an amount equal to the excess, if any, of (i) the amount of interest that would have accrued on the amount so prepaid, or not so borrowed, converted or continued,

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for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Loans provided for herein (excluding, however, the Applicable Margin included therein, if any) over (ii) the amount of interest (as reasonably determined by such Lender) that would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank Eurodollar market. A certificate as to any amounts payable pursuant to this Section 2.17 submitted to the Borrower by any Lender shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.18. Illegality. Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Lender to make or maintain Eurodollar Loans as contemplated by this Agreement, (a) the commitment of such Lender hereunder to make Eurodollar Loans, continue Eurodollar Loans as such and convert Base Rate Loans to Eurodollar Loans shall forthwith be canceled and (b) such Lender's Loans then outstanding as Eurodollar Loans, if any, shall be converted automatically to Base Rate Loans on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by Law. If any such conversion of a Eurodollar Loan to a Base Rate Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, the Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to Section 2.17.

2.19. Change of Office. Each Lender agrees that, upon the occurrence of any event that it knows to give rise to the operation of Sections 2.15, 2.16(a) or 2.18 with respect to such Lender, it will use all commercially reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event, or to assign its rights and obligations hereunder with respect to such Loans to another of its offices, branches or affiliates with the object of avoiding the consequences of such event; provided, that such designation is made on terms that, in the reasonable sole judgment of such Lender, cause such Lender and its lending office(s) to suffer no economic, legal or regulatory disadvantage, and provided, further, that nothing in this Section 2.19 shall affect or postpone any of the obligations of the Borrower or the rights of any Lender pursuant to Sections 2.15, 2.16(a) or 2.18. The Borrower hereby agrees to pay all reasonable out-of-pocket costs and expenses incurred by any Lender in connection with any such designation or assignment.

2.20. Replacement of Lenders under Certain Circumstances. The Borrower shall be permitted to replace any Lender (a) that requests reimbursement for amounts owing pursuant to Section 2.15, (b) with respect to which the Borrower is required to pay any amounts under Sections 2.16 or 2.18, (c) that defaults in its obligation to make Loans hereunder or (d) that fails to approve any amendment which, pursuant to Section 10.1, requires the approval of each Lender, provided, that such amendment is approved by at least the Majority Lenders, with a replacement financial institution or other entity; provided that (i) such replacement does not conflict with any Requirement of Law, (ii) with respect to a condition described in clause (a) or (b) above, prior to any such replacement, such replaced Lender shall have taken no action under Section 2.19 so as to eliminate the continued need for payment of amounts owing pursuant to

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Sections 2.15, 2.16, or 2.18 (iii) the replacement financial institution or other entity shall purchase, at par, all Loans and other amounts owing to such replaced Lender on or prior to the date of replacement, (iv) the Borrower shall be liable to such replaced Lender under Section 2.17 (as though Section 2.17 were applicable) if any Eurodollar Loan to the Borrower owing to such replaced Lender shall be purchased other than on the last day of the Interest Period relating thereto, (v) the replacement financial institution or other entity, if not already a Lender, shall be reasonably satisfactory to the Administrative Agent and otherwise an Eligible Assignee, (vi) the replaced Lender and replacement Lender shall be obligated to make such replacement in accordance with the

provisions of Section 10.7 (including, without limitation, obtaining the consents provided for therein) (provided that the Borrower shall be obligated to pay the registration and processing fee referred to therein), (vii) the Borrower shall pay all additional amounts (if any) required pursuant to Section 2.15, 2.16 or 2.18, as the case may be, in respect of any period prior to the date on which such replacement shall be consummated, and (viii) any such replacement shall not be deemed to be a waiver of any rights that the Borrower, the Administrative Agent or any other Lender shall have against the replaced Lender.

2.21. Guaranty of Payment and Performance. Subject to Section 10.17, the payment and performance of the obligations of the Borrower hereunder shall be guaranteed by each Guarantor pursuant to the terms of the Guaranty.

2.22. Increase in Commitments.

(a) Request for Increase. Upon notice to the Administrative Agent (which shall promptly notify the Lenders), the Borrower may from time to time, increase the Total Revolving Credit Commitments by an amount not to exceed \$25,000,000 less the aggregate amount of all prior increases of the Total Revolving Credit Commitment pursuant to this Section 2.22. Such increase in the Total Revolving Credit Commitments may be provided by the Lenders or Eligible Assignees designated by the Borrower to become Lenders (pursuant to an instrument of accession in the form of Exhibit I hereto, an “Instrument of Accession”) that are willing to provide such increase; provided that (i) any such increase shall be in a minimum amount of \$10,000,000 and (ii) the aggregate amount of the Total Revolving Credit Commitments after giving effect to any such increase shall not at any time exceed \$500,000,000. Nothing contained herein shall constitute, or otherwise be deemed to be, a commitment on the part of any Lender to increase its Revolving Credit Commitment hereunder.

(b) Effective Date and Allocations. If the Total Revolving Credit Commitments are increased in accordance with this Section 2.22, the Administrative Agent and the Borrower shall determine the effective date (the “Increase Effective Date”) and the Borrower, in consultation with the Administrative Agent, shall determine the final allocation of such increase. The Administrative Agent shall promptly notify the Lenders of the final allocation of such increase and the Increase Effective Date.

(c) Conditions to Effectiveness of Increase. As a condition precedent to such increase, (i) no Default shall exist, (ii) the Borrower shall (x) deliver to the Administrative Agent (1) an Instrument of Accession executed by the Borrower and the applicable Lender(s), and (2) a certificate dated as of the Increase Effective Date (in sufficient copies for each Lender) signed by a Responsible Officer of the Borrower (A) certifying and attaching the resolutions adopted by the

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Borrower approving or consenting to such increase, and (B) certifying that, before and after giving effect to such increase no Default exists and (iii) pursuant to the terms of the Arranger Fee Letter, pay the fees to the applicable Persons. The Borrower shall prepay any Revolving Credit Loans outstanding on the Increase Effective Date (and pay any additional amounts required pursuant to Section 2.15) to the extent necessary to keep the outstanding Revolving Credit Loans ratable with any revised Revolving Credit Percentages arising from any nonratable increase in the Total Revolving Credit Commitments under this Section 2.22.

(d) Conflicting Provisions. This Section 2.22 shall supersede any provisions in Section 2.14 or 10.1 to the contrary.

3. LETTERS OF CREDIT

3.1. L/C Commitment. (a) Subject to the terms and conditions hereof, each Issuing Lender, in reliance on the agreements of the other Lenders set forth in Section 3.3, agrees to issue Letters of Credit for the account of the Borrower or any of its Subsidiaries and to amend or extend Letters of Credit previously issued by it, in accordance with Section 3.2(b), on any Business Day during the Revolving Credit Commitment Period in such form as may be approved from time to time by the Issuing Lender; provided, that the Issuing Lender shall not issue any Letter of Credit if, after giving effect to such issuance, (i) the L/C Obligations would exceed the L/C Commitment or (ii) the aggregate amount of the Available Revolving Credit Commitments would be less than zero. Each Letter of Credit shall (i) be denominated in Dollars and (ii) expire no later than the earlier of (x) the first anniversary of its date of issuance and (y) the date which is five Business Days prior to the Revolving Credit Termination Date, provided that any Letter of Credit with a one-year term may provide for the renewal thereof for additional one-year periods (which shall in no event extend beyond the date referred to in clause (y) above). All Existing Letters of Credit shall be deemed to have been issued pursuant hereto, and from and after the Closing Date shall be subject to and governed by the terms and conditions hereof.

(b) No Issuing Lender shall at any time be obligated to issue any Letter of Credit hereunder if (i) such issuance would conflict with, or cause the Issuing Lender or any L/C Participant to exceed any limits imposed by, any applicable Requirement of Law, (ii) such issuance would violate one or more policies of the Issuing Lender applicable to letters of credit generally or (iii) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the Issuing Lender from issuing such Letter of Credit, or any Law applicable to the Issuing Lender or any request or directive (whether or not having the force of Law) from any Governmental Authority with jurisdiction over the Issuing Lender shall prohibit, or request that the Issuing Lender refrain from, the issuance of letters of credit generally, or such Letter of Credit in particular.

3.2. Procedure for Issuance and Amendment of Letter of Credit. (a) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Borrower delivered to the Issuing Lender (with a copy to the Administrative Agent) in the form of an Application, completed and signed by a Responsible Officer of the Borrower. Such Application must be received by the Issuing Lender and the Administrative Agent not later than 11:00 A.M., New York City time, at least two Business Days (or such later date and time as the Administrative Agent and the Issuing Lender may agree in a particular instance in their sole

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discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Application shall specify in form and detail reasonably satisfactory to the Issuing Lender: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the

documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; and (G) such other matters as the Issuing Lender may reasonably require. In the case of a request for an amendment of any outstanding Letter of Credit, such Application shall specify in form and detail reasonably satisfactory to the Issuing Lender (A) the Letter of Credit to be amended; (B) the proposed date of amendment thereof (which shall be a Business Day); (C) the nature of the proposed amendment; and (D) such other matters as the Issuing Lender may reasonably require. Additionally, the Borrower shall furnish to the Issuing Lender and the Administrative Agent such other documents and information pertaining to such requested Letter of Credit issuance or amendment, including any Issuer Documents, as the Issuing Lender or the Administrative Agent may reasonably require.

(b) Promptly after receipt of any Application, the Issuing Lender will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Application from the Borrower and, if not, the Issuing Lender will provide the Administrative Agent with a copy thereof. Unless the Issuing Lender has received written notice from any Lender or the Administrative Agent, at least one Business Day prior to the requested date of issuance or amendment of the applicable Letter of Credit, that one or more applicable conditions contained in Section 4 shall not then be satisfied, then, subject to the terms and conditions hereof, the Issuing Lender shall, on the requested date, issue a Letter of Credit for the account of the Borrower or enter into the applicable amendment, as the case may be, in each case in accordance with the Issuing Lender's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Issuing Lender a risk participation in such Letter of Credit in an amount equal to the product of such Lender's Revolving Credit Percentage times the amount of such Letter of Credit.

(c) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the Issuing Lender will also deliver to the Borrower and the Administrative Agent a true and complete copy of such Letter of Credit or amendment.

3.3. Drawings and Reimbursements; Funding of Participations. (a) Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the Issuing Lender shall notify the Borrower and the Administrative Agent thereof. The Borrower shall reimburse the Issuing Lender, through the Administrative Agent, for the amount of any drawing under a Letter of Credit not later than 1:00 P.M., New York City time, on the date that such drawing is made (if the Borrower has received notice from the Issuing Lender of such drawing prior to 10:00 A.M., New York City time, on such date) or, if the Borrower has not received notice of such drawing prior to such time on such date, then not later than 1:00 P.M., New York City time, on (i) the Business Day that the Borrower receives such notice, if such notice is received prior to 10:00 A.M., New York City time, on the day of receipt, or (ii) the

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Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to 10:00 A.M., New York City time, on the day of such receipt (the date on which such reimbursement by the Borrower is due pursuant to this sentence being referred to herein as the "Requested Reimbursement Date"). If the Borrower fails to so reimburse the Issuing Lender by such time, the Administrative Agent shall promptly notify each Lender of the Requested Reimbursement Date, the amount of the unreimbursed drawing (the "Unreimbursed Amount"), and the amount of such Lender's Revolving Credit Percentage thereof. In such event, the Borrower shall be deemed to have requested a borrowing of Base Rate Loans to be disbursed on the Requested Reimbursement Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples, and notice periods, specified in Section 2.2 for the principal amount of Base Rate Loans. Such Base Rate Loans may from time to time be converted to Eurodollar Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Section 2.9, provided that no Revolving Credit Loan shall be made as a Eurodollar Loan after the day that is one month prior to the Revolving Credit Termination Date. Any notice given by the Issuing Lender or the Administrative Agent pursuant to this Section 3.3(a) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(b) Each Lender (including the Lender acting as Issuing Lender) shall upon any notice pursuant to Section 3.3(a) make funds available to the Administrative Agent for the account of the Issuing Lender at the Administrative Agent's Office in an amount equal to its Revolving Credit Percentage of the Unreimbursed Amount not later than 1:00 P.M., New York City time, on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of Section 3.3(a), each Lender that so makes funds available shall be deemed to have made a Base Rate Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the Issuing Lender.

(c) If any drawing is made under a Letter of Credit and is not reimbursed or refinanced on the date such drawing is made, for any reason, the Borrower shall be deemed to have incurred from the Issuing Lender an L/C Borrowing in the amount of the Unreimbursed Amount that is not so reimbursed or refinanced, which L/C Borrowing (i) shall bear interest at the rate applicable to Base Rate Loans from and including the date that such drawing is paid by the Issuing Bank to but excluding the earlier of the date that such Unreimbursed Amount is so reimbursed or refinanced or the date that is the next Business Day following the Requested Reimbursement Date and, if not so reimbursed or refinanced on or prior to the date that is the next Business Day following the Requested Reimbursement Date, then, from and after the date that is the next Business Day following the Requested Reimbursement Date to but excluding the date so reimbursed or refinanced, the rate applicable to Base Rate Loans plus 2% and (ii) shall, on and after the date that is the next Business Day following the Requested Reimbursement Date, be due and payable on demand. In such event, each Lender's payment to the Administrative Agent for the account of the Issuing Lender pursuant to Section 3.3(b) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this Section 3.3.

(d) Until each Lender funds its Loan or L/C Advance pursuant to this Section 3.3 to reimburse the Issuing Lender for any amount drawn under any Letter of Credit, interest in

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respect of such Lender's Revolving Credit Percentage of such amount shall be solely for the account of the Issuing Lender.

(e) Each Lender's obligation to make Loans or L/C Advances to reimburse the Issuing Lender for amounts drawn under Letters of Credit, as contemplated by this Section 3.3, shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the Issuing Lender, the Borrower or any other Person for any reason whatsoever, (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Lender's obligation to make Loans pursuant to this Section 3.3 is subject to the conditions set forth in Section 4.2 (other than delivery by the Borrower of a Loan Notice). No such making of an L/C Advance shall relieve or otherwise impair the obligation of the Borrower to reimburse the Issuing Lender for the amount of any payment made by the Issuing Lender under any Letter of Credit, together with interest as provided herein.

(f) If any Lender fails to make available to the Administrative Agent for the account of the Issuing Lender any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 3.3 by the time specified in Section 3.3(b), the Issuing Lender shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the Issuing Lender at a rate per annum equal to the greater of the Federal Funds Rate and a rate determined by the Issuing Lender in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the Issuing Lender in connection with the foregoing. If such Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Lender's Loan included in the relevant borrowing or L/C Advance in respect of the relevant L/C Borrowing, as the case may be. A certificate of the Issuing Lender submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this paragraph (f) shall be conclusive absent manifest error.

3.4. Repayment of Participations. (a) At any time after the Issuing Lender has made a payment under any Letter of Credit and has received from any Lender such Lender's L/C Advance in respect of such payment in accordance with Section 3.3(b), if the Administrative Agent receives for the account of the Issuing Lender any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from the Borrower or otherwise, including proceeds of cash collateral applied thereto by the Administrative Agent), the Administrative Agent will distribute to such Lender its Revolving Credit Percentage thereof (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's L/C Advance was outstanding) in the same funds as those received by the Administrative Agent.

(b) If any payment received by the Administrative Agent for the account of the Issuing Lender pursuant to Section 3.3(b) is required to be returned under any of the circumstances described in Section 10.8 (including pursuant to any settlement entered into by the Issuing Lender in its discretion), each Lender shall pay to the Administrative Agent for the

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account of the Issuing Lender its Revolving Credit Percentage thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to the Federal Funds Rate from time to time in effect.

3.5. Obligations Absolute. The obligation of the Borrower to reimburse the Issuing Lender for each drawing under each Letter of Credit and to repay each L/C Borrowing shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

- (i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other Loan Document;
- (ii) the existence of any claim, counterclaim, set-off, defense or other right that the Borrower or any of its Subsidiaries may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the Issuing Lender or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;
- (iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;
- (iv) any payment by the Issuing Lender under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by the Issuing Lender under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law; or
- (v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or any of its Subsidiaries.

3.6. Role of Issuing Lender. Each Lender and the Borrower agree that, in paying any drawing under a Letter of Credit, the Issuing Lender shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. None of the Issuing Lender, any Agent-Related Person nor any of the respective correspondents, participants

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or assignees of the Issuing Lender shall be liable to any Lender for (a) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Majority Lenders, as applicable; (b) any action taken or omitted in the absence of gross negligence or willful misconduct; or (c) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Application. The Borrower hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this

assumption is not intended to, and shall not, preclude the Borrower's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. None of the Issuing Lender, any Agent-Related Person, nor any of the respective correspondents, participants or assignees of the Issuing Lender, shall be liable or responsible for any of the matters described in clauses (i) through (v) of Section 3.5; provided, however, that anything in such clauses (i) through (v) to the contrary notwithstanding, the Borrower may have a claim against the Issuing Lender, and the Issuing Lender may be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrower which the Borrower proves were caused by the Issuing Lender's willful misconduct or gross negligence or the Issuing Lender's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, the Issuing Lender may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and the Issuing Lender shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

3.7. Cash Collateral. Upon the request of the Administrative Agent, if, as of the Revolving Credit Termination Date, any Letter of Credit for any reason remains outstanding and partially or wholly undrawn, the Borrower shall immediately Cash Collateralize the then outstanding amount of all L/C Obligations (in an amount equal to such outstanding amount determined as of the Revolving Credit Termination Date). Sections 2.8 and 8.2 set forth certain additional requirements to deliver Cash Collateral hereunder. To the extent that the Borrower is required to Cash Collateralize L/C Obligations, the Borrower hereby grants to the Administrative Agent, for the benefit of the Issuing Lender and the Lenders, a security interest in all cash, deposit accounts and all balances therein and all proceeds of the foregoing. Such cash collateral shall be maintained in blocked, interest bearing deposit accounts with the Administrative Agent.

3.8. Applicability of ISP98 and UCP. Unless otherwise expressly agreed by the Issuing Lender and the Borrower when a Letter of Credit is issued including any such agreement as applicable to an Existing Letter of Credit, (i) the rules of the ISP shall apply to each standby Letter of Credit, and (ii) the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce at the time of issuance shall apply to each commercial Letter of Credit.

3.9. Fees and Other Charges. (a) The Borrower will pay to the Administrative Agent, for the account of the Lenders, a fee on the daily amount available to be drawn under all outstanding Letters of Credit issued for its account at a per annum rate equal to the Applicable

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Margin then in effect with respect to Eurodollar Loans, to be shared ratably among the Lenders in accordance with their respective Revolving Credit Percentages and payable quarterly in arrears on each L/C Fee Payment Date after the issuance date. In addition, the Borrower shall pay to the relevant Issuing Lender for its own account a fronting fee on the daily amount available to be drawn under all outstanding Letters of Credit issued by such Issuing Lender for the Borrower's account at a rate and at the times to be agreed upon by the Borrower and such Issuing Lender. For purposes of computing the average daily amount available to be drawn under the Letters of Credit, the amount of such Letters of Credit shall be determined in accordance with Section 1.3.

(b) In addition to the foregoing fees, the Borrower shall pay or reimburse each Issuing Lender for such normal and customary costs and expenses as are incurred or charged by such Issuing Lender in issuing, negotiating, effecting payment under, amending or otherwise administering any Letter of Credit issued for the account of the Borrower.

3.10. Conflict with Issuer Documents. In the event of any conflict between the terms hereof and the terms of any Issuer Document, the terms hereof shall control.

4. CONDITIONS PRECEDENT

4.1. Conditions to Closing. The occurrence of the Closing Date is subject to the satisfaction on such date of the following conditions precedent:

(a) The Administrative Agent's receipt of the following, each of which shall be originals or telecopies (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the Borrower, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance reasonably satisfactory to the Administrative Agent:

(i) executed counterparts of this Agreement, sufficient in number for distribution to the Administrative Agent, each Lender party hereto on the date hereof and the Borrower;

(ii) a Note executed by the Borrower in favor of each Lender requesting a Note so long as such request is made at least 3 Business Days prior to the Closing Date;

(iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of the Borrower as the Administrative Agent may reasonably require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which the Borrower is a party;

(iv) such documents and certifications as the Administrative Agent may reasonably require to evidence that the Borrower is duly organized or formed, and that the Borrower is validly existing, in good standing and qualified to engage in business in the jurisdiction where the Borrower is organized;

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(v) a Closing Certificate of the Borrower with appropriate insertions and attachments, if any;

(vi) a certificate signed by a Responsible Officer on behalf of the Borrower either (A) attaching copies of all consents, licenses and approvals required in connection with the execution, delivery and performance by the Borrower and the validity against the Borrower of the Loan Documents to which it is a party, and such consents, licenses and approvals shall be in full force and effect, or (B) stating that no such consents, licenses or approvals are so required;

(vii) a certificate signed by a Responsible Officer on behalf of the Borrower certifying (A) that the conditions specified in Sections 4.2(a) and (b) have been satisfied, and (B) that there has been no event or circumstance since December 31, 2006 that has had or could be reasonably expected to have a Material Adverse Effect; and

(viii) the Guaranty executed by each Guarantor.

(b) Fees. (i) The Administrative Agent and the Arrangers shall have received all fees required to be paid by the Borrower on or prior to the Closing Date.

(ii) The Borrower shall have paid all fees, charges and disbursements of Bingham McCutchen LLP, as counsel to the Administrative Agent (directly to such counsel if requested by the Administrative Agent), to the extent required to be paid by the Borrower and invoiced prior to the Closing Date.

(c) Legal Opinions. The Administrative Agent shall have received (i) the legal opinion of Robert Seelig, Esquire, counsel to the Borrower and each of the Initial Guarantors, substantially in the form of Exhibit F and (ii) the legal opinion of Conyers Dill & Pearman, Bermuda counsel to the Borrower and each of the Initial Guarantors, substantially in the form of Exhibit G.

(d) Termination of Existing Credit Facility. The Administrative Agent shall have received evidence (including, without limitation, payoff letters), reasonably satisfactory to the Administrative Agent in its reasonable discretion, that the Existing Credit Agreement has been or concurrently with the Closing Date is being terminated.

(e) Closing Date. The Closing Date shall occur on or before June 30, 2007.

(f) Material Adverse Effect. Up to and including the Closing Date, since December 31, 2006 there has been no event or circumstance that has had or could reasonably be expected to have a Material Adverse Effect.

4.2. Conditions to Closing and Each Extension of Credit. The occurrence of the Closing Date and the agreement of each Lender to make any extension of credit requested to be made by it hereunder on any date (including, without limitation, its initial extension of credit or any issuance, or increase in the amount of, any Letter of Credit but excluding conversions or continuations of Loans) is subject to the satisfaction of the following conditions precedent:

(a) Representations and Warranties. Each of the representations and warranties made by the Borrower in Section 5 (other than Section 5.5) or pursuant to any of the other Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date, except to the extent that they expressly relate to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date.

(b) No Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the extensions of credit requested to be made on such date.

(c) Borrowing Request. Except as provided in Section 3.3, the Administrative Agent shall have received a Borrowing Request or, as applicable, an Application.

Each borrowing by and issuance of a Letter of Credit on behalf of the Borrower hereunder shall constitute a representation and warranty by the Borrower as of the date of such extension of credit (including any issuance, or increase in the amount of, any Letter of Credit) that the conditions contained in this Section 4.2(a) and (b) have been satisfied on and as of the date of the applicable extension of credit.

5. REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into this Agreement and to make the Loans and issue or participate in the Letters of Credit, the Borrower hereby represents and warrants to the Administrative Agent and each Lender that:

5.1. Financial Statements.

(a) The audited consolidated balance sheet of the Borrower and its consolidated Subsidiaries, as at December 31, 2006 and the related consolidated statements of income and of cash flows for the fiscal year ended on such date, reported on and accompanied by unqualified reports from PricewaterhouseCoopers LLP or another independent certified public accounting firm of nationally recognized standing, present fairly in all material respects the consolidated financial condition of the Borrower and its consolidated Subsidiaries, as at such date, and the consolidated results of their operations and their consolidated cash flows for such fiscal year then ended in accordance with GAAP applied consistently throughout the periods involved (except as approved by the aforementioned firm of accountants and disclosed therein).

(b) The unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries, as of and for the fiscal quarter ended March 31, 2007, and the related unaudited consolidated statements of income and cash flows for such fiscal quarters ended on such dates, present fairly in all material respects the consolidated financial condition of the Borrower and its consolidated Subsidiaries as at such dates, and the consolidated results of their operations and their consolidated cash flows for the fiscal quarters then ended in accordance with GAAP applied consistently throughout the periods involved

5.2. Corporate Existence; Compliance with Law. The Borrower and each of its Subsidiaries (a) is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization, except to the extent that the failure of the Subsidiaries to be so organized, validly existing and in good standing could not, in the aggregate, reasonably be expected to have a Material Adverse Effect, (b) has the corporate or other power and authority, and the legal right, to own and operate its Property, to lease the Property it operates as lessee and to conduct the business in which it is currently engaged, except to the extent that the failure to have such power, authority and legal right could not, in the aggregate, reasonably be expected to have a Material Adverse Effect, (c) is duly qualified as a foreign corporation and in good standing under the Laws of each jurisdiction where its ownership, lease or operation of Property or the conduct of its business requires such qualification, except to the extent failure to so qualify or be in good standing could not, in the aggregate, reasonably be expected to have a Material Adverse Effect, and (d) is in compliance with all Requirements of Law, including, without limitation, with respect to environmental laws, except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.3. Corporate Power; Authorization; Enforceable Obligations. The Borrower has the corporate or other power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and to borrow hereunder. The Borrower has taken all necessary corporate or other action to authorize the execution, delivery and performance of the Loan Documents to which it is a party and to authorize the borrowings on the terms and conditions of this Agreement. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the borrowings hereunder or the execution, delivery, performance, validity or enforceability of this Agreement or any of the other Loan Documents, except consents, authorizations, filings and notices described in Schedule 5.3, which consents, authorizations, filings and notices have been obtained or made and are in full force and effect and except to the extent failure to obtain any consents, authorizations, filings, and notices could not, in the aggregate, reasonably be expected to have a Material Adverse Effect. Each Loan Document to which the Borrower is a party has been duly executed and delivered on behalf of the Borrower. This Agreement constitutes, and each other Loan Document to which the Borrower is a party upon execution will constitute, a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

5.4. No Legal Bar. The execution, delivery and performance of this Agreement and the other Loan Documents, the issuance of Letters of Credit, the borrowings hereunder and the use of the proceeds thereof will not violate any Requirement of Law or any Contractual Obligation of the Borrower or any of its Subsidiaries and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any Requirement of Law or any such Contractual Obligation, except to the extent such violation or Lien could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.5. No Material Litigation. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the

Borrower, threatened by or against the Borrower or any of its Subsidiaries or against any of their respective properties or assets that (a) purport to affect or pertain to this Agreement or any other Loan Document or any of the transactions contemplated hereby or thereby, or (b) could reasonably be expected to have a Material Adverse Effect.

5.6. Ownership of Property; Liens. The Borrower and each of its Subsidiaries has title in fee simple to, or a valid leasehold interest in, all its real property, and good title to, or a valid leasehold interest in, all its other Property, and none of such Property is subject to any Lien except as permitted by Section 7.3, except to the extent such defects in title could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.7. Intellectual Property. The Borrower and each of its Subsidiaries owns, or is licensed to use, all Intellectual Property material to the conduct of its business as currently conducted. No material claim has been asserted and is pending by any Person challenging or questioning the use of any Intellectual Property or the validity or effectiveness of any Intellectual Property, nor does the Borrower know of any valid basis for any such claim, other than claims that could not, in the aggregate, reasonably be expected to have a Material Adverse Effect. The use of Intellectual Property by the Borrower and its Subsidiaries does not infringe on the rights of any Person in any material respect, except for infringements that could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.8. Taxes. The Borrower and each of its Subsidiaries has filed or caused to be filed all material Federal, state and other tax returns that are required to be filed (taking into account any applicable extensions) and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its Property and all other material taxes, fees or other charges imposed on it or any of its Property by any Governmental Authority and, to the knowledge of the Borrower, no tax Lien has been filed, and no claim is being asserted, with respect to any such tax, fee or other charge, except (i) those in respect of which the amount or validity are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with SAP or GAAP, as applicable, have been provided on the books of the Borrower or its Subsidiaries, as the case may be, and (ii) any amount the failure of which to pay could not reasonably be expected to result in a Material Adverse Effect.

5.9. Federal Regulations. No part of the proceeds of any Loans will be used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect or for any purpose that violates the provisions of the Regulations of the Board. If requested by any Lender or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U-1 referred to in Regulation U.

5.10. ERISA. Except as could not reasonably be expected to result in a Material Adverse Effect, neither a Reportable Event nor an “accumulated funding deficiency” (within the meaning of Section 412 of the Code or Section 302 of ERISA) has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any Plan, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred, and no Lien in

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favor of the PBGC or a Plan has arisen, during such five-year period. The present value of all accrued benefits under each Single Employer Plan (based on those assumptions used to fund such Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits by an amount which could reasonably be expected to result in a Material Adverse Effect. Neither the Borrower nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect. Except as could not reasonably be expected to result in a Material Adverse Effect, no such Multiemployer Plan is in Reorganization or Insolvent.

5.11. Investment Company Act; Other Regulations. The Borrower is not an “investment company” within the meaning of the Investment Company Act of 1940, as amended. The Borrower is not subject to regulation under any Requirement of Law (other than Regulation X of the Board) which limits its ability to incur Indebtedness hereunder.

5.12. Use of Proceeds. The proceeds of the Loans and the Letters of Credit shall be used for working capital and general corporate purposes of the Borrower and its Subsidiaries, including, without limitation, (a) acquisitions, (b) the issuance of Letters of Credit, (c) refinancings of outstanding indebtedness, if any, of the Borrower and its Subsidiaries (including under the Existing Credit Agreement and the Existing Letters of Credit), and (d) for payment of fees and expenses incurred in connection with this Agreement.

5.13. Accuracy of Information, etc. No statement or information contained in any document, certificate or statement furnished to the Administrative Agent or the Lenders or any of them, by or on behalf of the Borrower for use in connection with the transactions contemplated by this Agreement or the other Loan Documents, taken as a whole contained, as of the date such statement, information, document or certificate was so furnished, any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statement, information, document or certificate was made or furnished. The projections and pro forma financial information contained in the materials referenced above were prepared in good faith based on assumptions believed by management of the Borrower to be reasonable at the time made, it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount.

5.14. Insurance Regulatory Matters. No License of any Insurance Subsidiary, the loss of which could reasonably be expected to have a Material Adverse Effect, is the subject of a proceeding for suspension or revocation. To the knowledge of the Borrower, there is no sustainable basis for such suspension or revocation, and no such suspension or revocation has been threatened by any Governmental Authority.

5.15. Indebtedness and Liens. As of the Closing Date, (i) no Subsidiary of the Borrower had outstanding any Indebtedness that was created, incurred or assumed after March 31, 2007, except Indebtedness that would have been permitted by Section 7.2 (without giving

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effect to the Indebtedness permitted by Section 7.2(a)(i)) if created, incurred or assumed by such Subsidiary on the Closing Date and (ii) there does not exist (a) any Lien that was created, incurred or assumed after March 31, 2007, upon any stock or Indebtedness of any Subsidiary to secure any Debt of the Borrower or any of its Subsidiaries or any other Person (other than the obligations hereunder) or (b) any Lien that was created, incurred or assumed after March 31, 2007, upon any other Property, to secure any Debt of the Borrower or any of its Subsidiaries or any other Person (other than the obligations hereunder), except, in the case of (a) or (b), Liens that would have been permitted by Section 7.3 hereof (without giving effect to the Liens that would have been permitted by Section 7.3(i)(x)) if so created, incurred or assumed on the Closing Date.

5.16. Taxpayer Identification Number. As of the date hereof, the Borrower’s true and correct U.S. taxpayer identification number is set forth on Schedule 10.02.

6. AFFIRMATIVE COVENANTS

The Borrower hereby agrees that, from and after the Closing Date and so long as, the Commitments remain in effect, any Letter of Credit remains outstanding, there exists any unpaid Reimbursement Obligations or any principal or interest on any Loan or any fee payable hereunder is owing to any Lender or the Administrative Agent hereunder, the Borrower shall and shall cause each of its Subsidiaries to:

6.1. Financial Statements. Furnish to the Administrative Agent (either electronically or with sufficient copies for distribution by the Administrative Agent to each Lender):

(a) (i) not later than the date required to be filed pursuant to the Act of 1934 (after giving effect to any extension permitted or granted by the SEC), but in any event not later than 95 days after the end of each fiscal year of the Borrower ending subsequent to the Closing Date, a copy of the audited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such fiscal year, and the related audited consolidated statements of income and of cash flows for such fiscal year, setting forth in each case in comparative form the figures as of the end of and for the previous fiscal year, accompanied by an opinion by PricewaterhouseCoopers LLP, or other independent certified public accounting firm of nationally recognized standing, which report shall be prepared in accordance with generally accepted auditing standards and applicable securities laws and shall not be subject to a “going concern” or like qualification or exception, or qualification as to the scope of the audit (for purposes hereof, delivery of the Borrower’s annual report on Form 10-K (which shall be deemed delivered on the date when such document is posted on the SEC’s website at www.sec.gov or any replacement

website) will be sufficient in lieu of delivery of such financial statements); and (ii) not later than the date required to be filed pursuant to the Act of 1934 (after giving effect to any extension permitted or granted by the SEC), but in any event not later than 60 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower ending subsequent to the Closing Date, a copy of the unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such fiscal quarter and the related unaudited consolidated statements of income and of cash flows for such fiscal quarter and the portion of the fiscal year through the end of such fiscal quarter, setting forth in each case in

comparative form the figures as of the end of and for the corresponding period in the previous year, certified by a Responsible Officer on behalf of the Borrower as being fairly stated in all material respects in accordance with GAAP (subject to normal year-end audit adjustments and the absence of footnotes) (for purposes hereof, delivery of the Borrower's Quarterly Report on Form 10-Q (which shall be deemed delivered on the date when such document is posted on the SEC's website at www.sec.gov or any replacement website) will be sufficient in lieu of delivery of such financial statements and certifications); all such financial statements, together with notes to such financial statements, to fairly present in all material respects the financial condition and income and cash flows of the subject thereof as at the dates and for the periods covered thereby in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except (x) as approved by such accountants or officer, as the case may be, and disclosed therein or (y) in the case of unaudited financial statements, subject to normal year-end adjustments and the absence of footnotes);

(b) (i) not later than the date required to be filed pursuant to the Act of 1934 (after giving effect to any extension permitted or granted by the SEC), but in any event not later than 95 days after the end of each fiscal year of OneBeacon Limited ending subsequent to the Closing Date (so long as OneBeacon Limited is required to be consolidated on the balance sheet of the Borrower in accordance with GAAP), a copy of the audited consolidated balance sheet of OneBeacon Limited and its consolidated Subsidiaries as at the end of such fiscal year of OneBeacon Limited ending subsequent to the Closing Date, and the related audited consolidated statements of income and of cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, accompanied by an opinion by PricewaterhouseCoopers LLP, or other independent certified public accounting firm of nationally recognized standing, which report shall be prepared in accordance with generally accepted auditing standards and applicable securities laws and shall not be subject to a "going concern" or like qualification or exception, or qualification as to the scope of the audit (for purposes hereof, delivery of OneBeacon Limited's annual report on Form 10-K (which shall be deemed delivered on the date when such document is posted on the SEC's website at www.sec.gov or any replacement website) will be sufficient in lieu of delivery of such financial statements); and (ii) not later than the date required to be filed pursuant to the Act of 1934 (after giving effect to any extension permitted or granted by the SEC), but in any event not later than 60 days after the end of each of the first three fiscal quarters of each fiscal year of OneBeacon Limited ending subsequent to the Closing Date (so long as OneBeacon Limited is required to be consolidated on the balance sheet of the Borrower in accordance with GAAP), a copy of the unaudited consolidated balance sheet of OneBeacon Limited and its consolidated Subsidiaries as at the end of such fiscal quarter and the related unaudited consolidated statements of income and of cash flows for such fiscal quarter and the portion of the fiscal year through the end of such fiscal quarter, setting forth in each case in comparative form the figures as of the end of and for the corresponding period in the previous fiscal year, certified by a Responsible Officer on behalf of OneBeacon Limited as being fairly stated in all material respects in accordance with GAAP (subject to normal year-end audit adjustments and the absence of footnotes) (for purposes hereof, delivery of OneBeacon Limited's Quarterly Report on Form 10-Q (which shall be deemed delivered on the date when such document is posted on the SEC's website at www.sec.gov or any replacement website) will be sufficient in lieu of delivery of such financial statements and certifications); all such financial statements, together with notes to such financial statements, to fairly present in all material respects the financial condition and income and cash flows of the

subject thereof as at the dates and for the periods covered thereby in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except (x) as approved by such accountants or officer, as the case may be, and disclosed therein or (y) in the case of unaudited financial statements, subject to normal year-end adjustments and the absence of footnotes);

(c) not later than the date required by Law to be prepared (or such later date as may be allowed by the applicable Governmental Authority), but in any event not later than 95 days after the end of each fiscal year of (i) OneBeacon Insurance Group, copies of the unaudited combined Annual Statement of OneBeacon Insurance Group, certified by a Responsible Officer on behalf of OneBeacon Limited; provided, that any such combined Annual Statement shall only be required to be so furnished on any date if OneBeacon Limited is required to be consolidated on the balance sheet of the Borrower in accordance with GAAP on such date, and (ii) a Material Insurance Subsidiary (as of the date of delivery pursuant hereto), copies of the unaudited Annual Statement of such Material Insurance Subsidiary, certified by a Responsible Officer on behalf of such Material Insurance Subsidiary; all such statements to be prepared in accordance with SAP consistently applied throughout the periods reflected therein and, if required by the applicable Governmental Authority, audited and certified by independent certified public accounting firm of recognized national standing (it being understood that delivery of audited statements shall be made within 10 days following the delivery of such statements to the applicable Governmental Authority); provided, however, that in the case of Sirius, such Annual Statement shall be due not later than 150 days after the end of each fiscal year;

(d) not later than the date required by Law to be prepared (or such later date as may be allowed by the applicable Governmental Authority), but in any event not later than 70 days after the end of each interim financial period of each Material Insurance Subsidiary in respect of which an Interim Statement is required to be prepared (as of the date delivery of such Interim Statement is required), copies of the Interim Statement of such Material Insurance Subsidiary for such interim financial period, all such statements to be prepared in accordance with SAP consistently applied throughout the period reflected herein; provided, that, in the case of Sirius, such Interim Statement shall be due not later than 90 days after the end of such interim period;

(e) within 15 days after being delivered to any Material Insurance Subsidiary subsequent to the Closing Date, any final Report on Examination issued by the applicable Department or the NAIC that results in material adjustments to the financial statements referred to in paragraphs (c) or (d) above;

(f) to the extent such a statement is required by Law to be prepared, within 10 days following the delivery to the applicable Department, a copy of each "Statement of Actuarial Opinion" and "Management Discussion and Analysis" for a Material Insurance Subsidiary which is provided to the applicable Department as to the adequacy of loss reserves of such Material Insurance Subsidiary, such opinion to be in the format prescribed by the insurance code of the state of domicile of such Material Insurance Subsidiary; and

(g) promptly after the Borrower's receipt thereof, subject to any restrictions imposed by such independent accountants, copies of any management letters submitted to the

board of directors (or the audit committee of the board of directors) of the Borrower by independent accountants in connection with the annual audit of the Borrower or any of its Subsidiaries.

6.2. Certificates; Other Information. Furnish to the Administrative Agent (either electronically or with sufficient copies for distribution by the Administrative Agent to each Lender) or, in the case of clause (d), to the relevant Lender:

(a) within 5 Business Days after the delivery of the audited financial statements referred to in Section 6.1(a)(i), a certificate of the independent certified public accounting firm reporting on such financial statements stating that in making the examination necessary therefore no knowledge was obtained of any Default or Event of Default (it being understood that (i) such certificate shall only be required if delivery by such independent certified public accounting firm of such a certificate is not prohibited by its policies and (ii) any such certificate may be limited in scope and qualified in accordance with customary practices of the accounting profession), except as specified in such certificate;

(b) within 5 Business Days after the deadline for the delivery of any financial statements pursuant to Section 6.1(a), (i) a certificate of a Responsible Officer of the Borrower stating that such Responsible Officer has obtained no knowledge of any continuing Default or Event of Default except as specified in such certificate and (ii) a Compliance Certificate containing all information and calculations necessary for determining compliance by the Borrower with Section 7.1 and OneBeacon Limited with Section 7.2(b), if applicable, as of the last day of the fiscal quarter or fiscal year of the Borrower;

(c) within 10 days after the same are filed with the SEC (unless posted on the SEC's website at www.sec.gov or any replacement website), all reports and filings on Forms 10-K, 10-Q and 8-K that the Borrower may make to, or file with, the SEC, including any request of an extension of time for the filing of any such reports; and

(d) promptly, such additional financial and other information as the Administrative Agent or any Lender may from time to time reasonably request.

(e) The Borrower hereby acknowledges that (a) unless otherwise directed by the Borrower, the Administrative Agent and/or the Arrangers will make available to the Lenders and the Issuing Bank materials and/or information provided by or on behalf of the Borrower hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on IntraLinks or another similar electronic system (the "Platform"), subject to confidentiality undertakings reasonably acceptable to the Borrower and the Arrangers, and (b) certain of the Lenders may be "public-side" Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a "Public Lender"). The Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," the Borrower shall be deemed to have authorized the Administrative Agent, the Arrangers, the Issuing Bank and the Lenders to treat such Borrower Materials as either publicly available information or not material information (although it may be sensitive

and proprietary) with respect to the Borrower or its securities for purposes of United States Federal and state securities laws; (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor;" and (z) the Administrative Agent and the Arrangers shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Investor." Notwithstanding any of the foregoing, if the Borrower also delivers any materials and/or information pursuant to this Section 6.2(e) in paper format to the Administrative Agent, such paper materials shall be deemed to be Borrower Materials for all purposes. Nothing in this Section 6.2(e) shall limit the obligations of the Administrative Agent and the Lenders under Section 10.16.

6.3. Payment of Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature (other than Indebtedness), except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the Borrower or its Subsidiaries, as the case may be; provided, that the Borrower may, in the ordinary course of business, extend payments on those payables if beneficial to the operation of their businesses.

6.4. Conduct of Business and Maintenance of Existence, etc. (a) Except as otherwise would not be a Fundamental Change (i) with respect to each Subsidiary of the Borrower, preserve, renew and keep in full force and effect its corporate existence and (ii) with respect to the Borrower and each of its Subsidiaries, take all reasonable action to maintain all licenses, permits, rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in the case of clause (i) above and clause (ii) above, to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (b) comply with all Contractual Obligations (other than in respect of Indebtedness) and Requirements of Law, except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

6.5. Maintenance of Property; Insurance. (a) Keep all Property and systems useful and necessary in its business in good working order and condition, ordinary wear and tear excepted and (b) maintain with financially sound and reputable insurance companies (other than with the Borrower or its Subsidiaries) insurance on all its Property in at least such amounts and against at least such risks (but including in any event public liability, product liability and business interruption) as are usually insured against in the same general area by companies engaged in the same or a similar business (it being understood that, to the extent consistent with prudent business practices of Persons carrying on a similar business in a similar location, a program of self-insurance for first and other loss layers may be utilized).

6.6. Inspection of Property; Books and Records; Discussions. (a) Keep proper books of records and account in which full, true and correct entries in conformity with GAAP (or SAP as applicable) and all Requirements of Law shall be made of all material dealings and transactions in relation to its business and activities and (b) upon reasonable prior notice, permit representatives of the Administrative Agent (who may be accompanied by representatives of other Lenders) and, during the continuance of an Event of Default, any Lender to (x) visit and inspect any of its properties, (y) during the continuance of an Event of Default, conduct

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reasonable examinations of (and, with the consent of the Borrower, such consent not to be unreasonably withheld, make abstracts from) any of its books and records at any reasonable time and as often as may reasonably be requested and (z) discuss the business, operations, properties and financial and other condition of the Borrower with officers and employees of the Borrower. It is understood that (i) any information obtained by the Administrative Agent or any Lender in any visit or inspection pursuant to this Section 6.6 shall be subject to the confidentiality requirements of Section 10.16, (ii) the Borrower may impose, with respect to any Lender or any Affiliate of any Lender reasonably deemed by the Borrower to be engaged significantly in a business which is directly competitive with any material business of the Borrower and its Subsidiaries, reasonable restrictions on access to proprietary information of the Borrower and its Subsidiaries and (iii) the Lenders will coordinate their visits through the Administrative Agent with a view to preventing the visits provided for by this Section 6.6 from becoming unreasonably burdensome to the Borrower and its Subsidiaries.

6.7. Notices. Give notice to the Administrative Agent (it being agreed that the Administrative Agent shall, upon receipt of such notice, notify each Lender thereof) of the following within the time periods specified:

- Default;
- (a) Promptly after any Responsible Officer of the Borrower obtains knowledge thereof, the occurrence of any Default or Event of Default;
 - (b) Within five days after any Responsible Officer of the Borrower obtains knowledge thereof, the occurrence of:
 - (i) any default or event of default under any Contractual Obligation (other than in respect of Indebtedness) of the Borrower or any of its Subsidiaries or any litigation, investigation or proceeding which may exist at any time between the Borrower or any of its Subsidiaries and any Governmental Authority, that in either case, if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect; and
 - (ii) (A) any litigation or proceeding affecting the Borrower or any of its Subsidiaries (other than claims-related litigation involving an Insurance Subsidiary) in which (x) the amount involved (and not covered by insurance) is \$50,000,000 or more or (y) in which injunctive or similar relief is sought that could reasonably be expected to have a Material Adverse Effect and (B) any claims-related litigation affecting any Insurance Subsidiary which could reasonably be expected to have a Material Adverse Effect; and
 - (c) As soon as possible and, in any event, within 30 days after a Responsible Officer of the Borrower obtains knowledge thereof: (A) the occurrence of any Reportable Event with respect to any Plan, a failure to make any required contribution to a Plan, the creation of any Lien in favor of the PBGC or a Plan or any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or (B) the institution of proceedings or the taking of any other action by the PBGC or the Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Plan.

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Each notice pursuant to this Section 6.7 shall be accompanied by a statement of a Responsible Officer on behalf of the Borrower setting forth details of the occurrence or such default referred to therein and stating what action the Borrower or the relevant Subsidiary proposes to take with respect thereto.

6.8. Taxes. Pay, discharge, or otherwise satisfy before the same shall become overdue, all taxes, assessments and other governmental charges imposed upon it and its real estate, sales and activities, or any part thereof, or upon the income or profits therefrom, other than where failure to pay such taxes could not reasonably be expected to result in a Material Adverse Effect; provided that any such tax, assessment, charge, levy or claim need not be paid if the validity or amount thereof shall currently be contested in good faith by appropriate proceedings and reserves in conformity with SAP or GAAP, as applicable, have been provided on the books of the Borrower and its Subsidiaries, as the case may be.

6.9. Use of Proceeds. Use the proceeds of the Loans and the Letters of Credit solely for the purposes set forth in Section 5.12.

6.10. Further Assurances. The Borrower will, and will cause each of its Subsidiaries to, cooperate with the Lenders and the Administrative Agent and execute such further instruments and documents as the Lenders or the Administrative Agent shall reasonably request to give effect to the transactions contemplated by this Agreement and the other Loan Documents.

7. NEGATIVE COVENANTS

The Borrower hereby agrees that, from and after the Closing Date and so long as the Commitments remain in effect, any Letter of Credit remains outstanding, there exist any unpaid Reimbursement Obligations or any principal or interest on any Loan or any fee payable hereunder is owing to any Lender or the Administrative Agent hereunder:

7.1. Financial Condition Covenants.

(a) Maintenance of Consolidated Net Worth. The Borrower shall not permit its Consolidated Net Worth, as of the end of any fiscal quarter, commencing with the first fiscal quarter ending after the Closing Date, to be less than the sum of (i) sixty-five percent (65%) of Consolidated Net Worth of the Borrower as at the fiscal quarter ended March 31, 2007 (provided that if OneBeacon Limited is not consolidated on a balance sheet of the

Borrower in accordance with GAAP as of the end of any such fiscal quarter after the fiscal quarter ended March 31, 2007, the amount in this clause (i) shall be adjusted to remove sixty-five percent (65%) of the OneBeacon Limited minority interests at March 31, 2007), plus (ii) fifty percent (50%) of positive Consolidated Net Income for each fiscal quarter ending after March 31, 2007.

(b) Maintenance of Total Consolidated Debt to Total Consolidated Capitalization Ratio. The Borrower shall not permit its Total Consolidated Debt to Total Consolidated Capitalization Ratio, as of the end of any fiscal quarter, commencing with the first fiscal quarter ending after the Closing Date, to exceed thirty-five percent (35%). Notwithstanding the foregoing, in the event there shall be a breach of this financial covenant, at any time that the (i) Fund American Notes are guaranteed by the Borrower, (ii) the Borrower no

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longer consolidates OneBeacon Limited in its consolidated financial statements in accordance with GAAP, and (iii) such breach would not have occurred if the Fund American Notes were no longer guaranteed by the Borrower, then such breach shall not result in the occurrence of an Event of Default under Section 8.1(c) until a period of up to 180 days ("Cure Period") has passed since the occurrence of such breach; provided that, during such Cure Period, (x) the Total Consolidated Debt to Total Consolidated Capitalization Ratio shall not exceed thirty-five percent (35%) on a pro forma basis excluding the Indebtedness attributable to the guarantee of the Fund American Notes and (y) Fund American maintains investment grade senior unsecured credit ratings on the Fund American Notes from at least two of the following: Moody's, S&P and Fitch.

7.2. Limitation on Indebtedness. (a) The Borrower will not permit any of its Subsidiaries (other than OneBeacon Limited and its Subsidiaries) to create, incur or assume or suffer to exist any Indebtedness, except:

(i) Indebtedness outstanding as of the Closing Date and any refinancings, refundings, renewals or extensions thereof (without any increase in the principal amount thereof, other than by the amount of any necessary pre-payment premiums, unpaid accrued interest and other costs of refinancing, or any shortening of the final maturity of any principal amount thereof to a date prior to the Revolving Credit Termination Date);

(ii) Indebtedness of any Insurance Subsidiary incurred or issued in the ordinary course of its business or in securing insurance-related obligations (that do not constitute Indebtedness) of such Insurance Subsidiary and letters of credit, bank guarantees, surety bonds or similar instruments issued for the account of any Insurance Subsidiary in the ordinary course of its business or in securing insurance-related obligations (that do not constitute Indebtedness) of such Insurance Subsidiary;

(iii) Indebtedness in respect of letters of credit, bank guarantees, surety and appeal bonds, or performance bonds or other obligations of a like nature arising in the ordinary course of business and not for capital raising purposes and issued for the account of any Non-Regulated Operating Subsidiary;

(iv) short-term Indebtedness (i.e. with a maturity of less than one year when issued, provided that such Indebtedness may include an option to extend for up to an additional one year period) of any Insurance Subsidiary incurred to provide short-term liquidity to facilitate claims payment in the event of catastrophe;

(v) Indebtedness of a Subsidiary acquired after the Closing Date or a corporation merged into or consolidated with a Subsidiary after the Closing Date and Indebtedness assumed in connection with the acquisition of assets, which Indebtedness, in each case, exists at the time of such acquisition, merger or consolidation and is not created in contemplation of such event, as well as any refinancings, refunds, renewals or extensions of such Indebtedness (without increase in the principal amount thereof other than by the amount of any

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necessary pre-payment premiums, unpaid accrued interest and other costs of refinancing);

(vi) Indebtedness owing or issued by a Subsidiary to any other Subsidiary or to the Borrower;

(vii) Guarantee Obligations made by the Guarantors in respect of the obligations of the Borrower or by a Subsidiary in respect of obligations of another Subsidiary;

(viii) Indebtedness under the Loan Documents;

(ix) Indebtedness of any Guarantor;

(x) Indebtedness represented by Qualified Securities, Trust Preferred Securities or Mandatory Convertible Securities (except to the extent such Indebtedness is included in the calculation of Total Consolidated Debt); and

(xi) other Indebtedness of such Subsidiaries, provided that at the time such Indebtedness is incurred or issued, the aggregate principal amount of such Indebtedness when added to all other Indebtedness incurred or issued pursuant to this clause (xi) and then outstanding, does not exceed 15% of the Consolidated Net Worth of the Borrower; and

(b) At any time when OneBeacon Limited is required to be consolidated on the balance sheet of the Borrower in accordance with GAAP, the Borrower will not permit the OneBeacon Limited Debt to Capitalization Ratio (i) as of the end of any fiscal quarter ending after November 14, 2006 and prior to November 14, 2008 to be greater than thirty-seven and one half of one percent (37.5%) and (ii) as of the end of any fiscal quarter ending on or after November 14, 2008 to be greater than thirty-five percent (35%).

7.3. Limitation on Liens. The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist (a) any Lien upon any stock or indebtedness of any Subsidiary, whether owned on the date of this Agreement or hereafter acquired, to secure any Debt of the Borrower or any of its Subsidiaries or any other Person (other than the obligations hereunder) or (b) any Lien upon any other Property of the Borrower or its Subsidiaries, whether owned or leased on the date of this Agreement, or thereafter acquired, to secure any Debt of the Borrower or any of its Subsidiaries or any other Person (other than the obligations hereunder), except:

(i) (x) any Lien existing on the date of this Agreement or (y) any Lien upon stock or Indebtedness or other Property of any Person existing at the time such Person becomes a Subsidiary or existing upon stock or Indebtedness of a Subsidiary or any other Property at the time of acquisition of such stock or Indebtedness or other Property (provided that such Lien was not created in connection with the acquisition of such Person or such Property), and any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any such Lien in clauses (x) or (y) above;

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provided, however, that the principal amount of Debt secured by such Lien shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement; and provided, further, that such Lien shall be limited to all or such part of the stock or Indebtedness or other Property which secured the Lien so extended, renewed or replaced;

(ii) any Permitted Liens; and

(iii) any Lien upon any Property if the aggregate amount of all Debt then outstanding secured by such Lien and all other Liens permitted pursuant to this clause (iii) does not exceed 10% of the total consolidated stockholders' equity (including preferred equity) of the Borrower as shown on the audited consolidated balance sheet contained in the latest annual report to stockholders of the Borrower; provided that Debt secured by Liens permitted by clauses (i) and (ii) shall not be included in the amount of such secured Debt.

7.4. Limitation on Changes in Fiscal Periods. The Borrower shall not permit its fiscal year to end on a day other than December 31 or change its method of determining fiscal quarters.

7.5. Limitation on Lines of Business. The Borrower shall not engage to any extent that is material for the Borrower and its Subsidiaries, taken as a whole, in any business, either directly or through any Subsidiary, other than a Principal Business.

7.6. Guarantors. The Borrower shall not permit any Guarantor or any Subsidiary of any Guarantor to merge, consolidate, liquidate, wind-up or dissolve itself, or make a transfer of material assets, other than any such transaction or transactions pursuant to which (a) the surviving Person of any such merger or consolidation is, or any assets transferred in connection with such liquidation, winding-up, dissolution or transfer are transferred to, a Guarantor (including a Subsidiary of the Borrower that becomes a Guarantor in connection with such transaction) or a Subsidiary of a Guarantor (including a person that will become a Subsidiary of a Guarantor in connection with such transaction) or (b) after giving effect to any such merger, consolidation, liquidation, winding-up, dissolution or transfer, the aggregate Consolidated Net Worth of all Guarantors (including any Person that becomes a Guarantor or Subsidiary of a Guarantor in connection with such transaction but excluding for purposes of calculating the aggregate Consolidated Net Worth of all Guarantors any outstanding Indebtedness of the Borrower to a Guarantor (to the extent reflected as an asset of such Guarantor in the calculation of such Consolidated Net Worth) is not less than the amount then required by Section 7.1(a), on a pro forma basis as of the end of the most recently completed fiscal quarter for which financial statements have been delivered to the Administrative Agent pursuant to Section 6.1(a).

8. EVENTS OF DEFAULT

8.1. Events of Default. If any of the following events shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of any Loan made to the Borrower or Reimbursement Obligation owing by the Borrower when due in accordance with the

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terms hereof; or the Borrower shall fail to pay any interest on any Loan made to the Borrower or Reimbursement Obligation owing to the Borrower, or any other amount payable by the Borrower hereunder or under any other Loan Document, within three Business Days after any such interest or other amount becomes due in accordance with the terms hereof; or

(b) The Borrower shall default in the observance or performance of any agreement contained in Section 6.7(a) or Section 7; or

(c) (i) The Borrower, any Guarantor, White Mountains Re or any of the Borrower's Material Insurance Subsidiaries shall voluntarily commence any case, proceeding or other action (A) under any Debtor Relief Law, (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or the Borrower, any Guarantor, White Mountains Re or any of the Borrower's Material Insurance Subsidiaries shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Borrower, any Guarantor, White Mountains Re or any of the Borrower's Material Insurance Subsidiaries any case, proceeding or other action under any Debtor Relief Law that (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) the Borrower, any Guarantor, White Mountains Re or any of the Borrower's Material Insurance Subsidiaries shall take any corporate action to authorize or effect any of the acts set forth in clause (i), or (ii), above; or (iv) the Borrower, any Guarantor, White Mountains Re or any of the Borrower's Material Insurance Subsidiaries shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(d) A Change of Control; or

(e) A Fundamental Change; or

(f) Any representation or warranty made or deemed made by the Borrower herein or in any other Loan Document or that is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement or any such other Loan Document shall prove to have been inaccurate in any material respect on or as of the date made or deemed made or furnished; or

(g) The Borrower shall default in the observance or performance of any other agreement, covenant, term or condition contained in this Agreement or any other Loan Document (not specified in Sections 8.1(a), 8.1(b) or 8.1(f)); or

(h) The Borrower or any of its Subsidiaries shall (i) default in making any payment of any principal of any Indebtedness (including, without limitation, any Guarantee Obligation, but excluding the Loans and Reimbursement Obligations) on the scheduled or original due date with respect thereto (after giving effect to any applicable grace periods); or (ii) default in making any payment of any interest on any such Indebtedness beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created; or (iii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, the effect of which default is to cause, or to permit the holder or

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beneficiary of such Indebtedness (or a trustee or agent on behalf of such holder or beneficiary) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or to become subject to a mandatory offer to purchase by the obligor thereunder as a result of the occurrence of such default thereunder or (in the case of any such Indebtedness constituting a Guarantee Obligation) to become payable; provided, that a default described in clause (i), (ii) or (iii) of this paragraph (h) shall not at any time constitute an Event of Default unless, at such time, one or more defaults of the type described in clauses (i), (ii) and (iii) of this paragraph (h) shall have occurred and be continuing with respect to Indebtedness the outstanding principal amount of which exceeds in the aggregate \$50,000,000; or

(i) (i) Any Person shall engage in any “prohibited transaction” (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any “accumulated funding deficiency” (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan shall arise on the assets of the Borrower or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Majority Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA or, (v) the Borrower or any Commonly Controlled Entity shall, or in the reasonable opinion of the Majority Lenders is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan and in each case in clauses (i) through (v) above, such event or condition, together with all other such events or conditions for which liability to the Borrower is reasonably expected to occur, if any, could, in the reasonable judgment of the Majority Lenders, reasonably be expected to have a Material Adverse Effect; or

(j) One or more judgments or decrees shall be entered against the Borrower or any of its Subsidiaries involving for the Borrower and its Subsidiaries taken as a whole a liability (to the extent not paid or fully covered by insurance above applicable deductions) of \$50,000,000 or more, and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 45 days from the entry thereof; or

(k) The Guaranty shall cease, for any reason (other than as provided in Section 10.17) to be in full force and effect or any Guarantor or any Affiliate of a Guarantor shall so assert in writing; or

(l) Any License of any Insurance Subsidiary (i) shall be revoked by the Governmental Authority which issued such License, or any action (administrative or judicial) to revoke such License shall have been commenced against such Insurance Subsidiary and shall not have been dismissed within thirty days after the commencement thereof, (ii) shall be suspended by such Governmental Authority for a period in excess of thirty days or (iii) shall not be reissued or renewed by such Governmental Authority upon the expiration thereof following application for such reissuance or renewal of such Insurance Subsidiary, which, in the case of each of clauses (i), (ii) and (iii) above, could reasonably be expected to have a Material Adverse Effect.

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Notwithstanding the foregoing, in the case of each of paragraphs (f) through (l) of this Section 8.1, such event shall not constitute an Event of Default unless such event continues unremedied for a period of 30 days after the Borrower shall have received written notice of such event from the Administrative Agent.

8.2. Remedies Upon Event of Default. If any Event of Default specified in Section 8.1 occurs and is continuing, then, and in any such event, (a) if such event is an Event of Default specified in clause (i) or (ii) of Section 8.1(c) above with respect to the Borrower, automatically the commitment of each Lender to make Loans and any obligation of the Issuing Lender to make L/C Credit Extensions shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) shall immediately become due and payable, and (b) if such event is any other Event of Default specified in Section 8.1, either or both of the following actions may be taken: (i) with the consent of the Majority Lenders, the Administrative Agent may, or upon the request of the Majority Lenders, the Administrative Agent shall, by notice to the Borrower declare the Revolving Credit Commitments and the obligation of the Issuing Lender to issue Letters of Credit to be terminated forthwith, whereupon the Revolving Credit Commitments and the L/C Commitment shall immediately terminate; and (ii) with the consent of the Majority Lenders, the Administrative Agent may, or upon the request of the Majority Lenders, the Administrative Agent shall, by notice to the Borrower, declare the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) to be due and payable forthwith, whereupon the same shall immediately become due and payable. In the case of any Letter of Credit issued for the account of the Borrower with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to this paragraph, the Borrower shall at such time Cash Collateralize such L/C Obligations in an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Such cash collateral

shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the Borrower hereunder and under the other Loan Documents. After (a) all such Letters of Credit shall have expired or been fully drawn upon, all Reimbursement Obligations shall have been satisfied and all other obligations of the Borrower hereunder and under the other Loan Documents shall have been paid in full or (b) all Defaults and Events of Default hereunder and under the other Loan Document shall have been cured or waived, the balance, if any, in such cash collateral account shall be returned to the Borrower (or such other Person as may be lawfully entitled thereto).

9. THE ADMINISTRATIVE AGENT

9.1. Appointment. (a) Each Lender hereby irrevocably appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document,

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together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere herein or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Lender or participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term “agent” herein and in the other Loan Documents with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) The Issuing Lender shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and the Issuing Lender shall have all of the benefits and immunities (i) provided to the Administrative Agent in this Section 9 with respect to any acts taken or omissions suffered by the Issuing Lender in connection with Letters of Credit issued by it or proposed to be issued by it and the Applications and agreements for letters of credit pertaining to such Letters of Credit as fully as if the term “Administrative Agent” as used in this Section 9 and in the definition of “Agent-Related Person” included the Issuing Lender with respect to such acts or omissions, and (ii) as additionally provided herein with respect to the Issuing Lender; provided that nothing in this Agreement shall be construed to excuse the Issuing Lender from any liability to the Borrower for damages caused by the gross negligence or willful misconduct of the Issuing Lender or any Agent-Related Person.

9.2. Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel and other consultants or experts concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct.

9.3. Liability of Administrative Agent. No Agent-Related Person shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct in connection with its duties expressly set forth herein), or (b) be responsible in any manner to any Lender or participant for any recital, statement, representation or warranty made by the Borrower or any officer thereof, contained herein or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of the Borrower or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender or participant to ascertain or to inquire as to the observance or performance of any of the agreements contained

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in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower or any Affiliate thereof.

9.4. Reliance by Administrative Agent. (a) The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, electronic mail message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless such Note shall have been transferred in accordance with Section 10.7 and all actions required by such Section 10.7 in connection with such transfer shall have been taken. The Administrative Agent shall be fully justified in failing or refusing to take any action under any Loan Document unless it shall first receive such advice or concurrence of the Majority Lenders (or, if so specified by this Agreement, all Lenders) as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Majority Lenders (or such greater number of Lenders as may be expressly required hereby in any instance) and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders; provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable Law.

(b) For purposes of determining compliance with the conditions specified in Section 4.1, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

9.5. Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default unless the Administrative Agent shall have received written notice from a Lender or the Borrower referring to this Agreement, describing such Default and stating that such notice is a “notice of default.” The Administrative Agent will notify the Lenders of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Default as may be directed by the Majority Lenders in accordance with Section 8.2; provided, however, that unless and until the Administrative Agent has received any such direction, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable or in the best interest of the Lenders.

9.6. Credit Decision; Disclosure of Information by Administrative Agent. Each Lender acknowledges that no Agent-Related Person has made any representation or warranty to

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it, and that no act by the Administrative Agent hereafter taken, including any consent to and acceptance of any assignment or review of the affairs of the Borrower or any Affiliate thereof, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender as to any matter, including whether Agent-Related Persons have disclosed material information in their possession. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower and its Subsidiaries, and all applicable bank or other regulatory Laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Borrower hereunder. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent herein, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Borrower or any of its Affiliates which may come into the possession of any Agent-Related Person.

9.7. Indemnification of Administrative Agent. Whether or not the transactions contemplated hereby are consummated, the Lenders shall indemnify upon demand each Agent-Related Person (to the extent not reimbursed by or on behalf of the Borrower and without limiting the obligation of the Borrower), pro rata, and hold harmless each Agent-Related Person from and against any and all Indemnified Liabilities incurred by it; provided, however, that no Lender shall be liable for the payment to any Agent-Related Person of any portion of such Indemnified Liabilities to the extent determined in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Agent-Related Person’s own gross negligence or willful misconduct, provided, however, that no action taken in accordance with the directions of the Majority Lenders (or such greater percentage of Lenders as may be required hereunder) shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section 9.7. Without limitation of the foregoing, each Lender shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Borrower. The undertaking in this Section 9.7 shall survive termination of the Total Revolving Credit Commitments, the payment of all other obligations and the resignation of the Administrative Agent.

9.8. Administrative Agent in its Individual Capacity. Bank of America, N.A. and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from,

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acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Borrower and its Affiliates as though Bank of America, N.A. were not the Administrative Agent or the Issuing Lender hereunder and without notice to or consent of the Lenders. The Lenders acknowledge that, pursuant to such activities, Bank of America, N.A. or its Affiliates may receive information regarding the Borrower or its Affiliates (including information that may be subject to confidentiality obligations in favor of the Borrower or such Affiliate) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them. With respect to its Loans, Bank of America, N.A. shall have the same rights and powers under this Agreement as any other Lender and may exercise such rights and powers as though it were not the Administrative Agent or the Issuing Lender, and the terms “Lender” and “Lenders” include Bank of America, N.A. in its individual capacity.

9.9. Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent upon 30 days’ notice to the Lenders and the Borrower; provided that any such resignation by Bank of America, N.A. shall also constitute its resignation as Issuing Lender and Swing Line Lender, so long as a successor Issuing Lender and a successor Swing Line Lender (each consented to by the Borrower, such consent not to be unreasonably withheld or delayed) is appointed. If the Administrative Agent resigns under this Agreement, the Majority Lenders shall appoint from among the Lenders a successor administrative agent for the Lenders, which successor administrative agent shall be consented to by the Borrower at all times other than during the continuance of a Specified Event of Default (which consent of the Borrower shall not be unreasonably withheld or delayed). If no successor administrative agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and the Borrower, a successor administrative agent from among the Lenders. Upon the acceptance of its appointment as successor administrative agent hereunder, the Person acting as such successor administrative agent shall succeed to all of the rights, powers and duties of the retiring Administrative Agent, Issuing Lender and Swing Line Lender and the respective terms “Administrative Agent,” “Issuing Lender” and “Swing Line Lender” shall mean such successor administrative agent, Letter of Credit issuer and swing line lender, and the retiring Administrative Agent’s appointment, powers and duties as Administrative Agent shall be terminated and the retiring Issuing Lender’s and Swing Line Lender’s rights, powers and duties as such shall be terminated, without any other or further act or deed on the part of such retiring Issuing Lender or Swing Line Lender or any other Lender, other than the obligation of the successor Issuing Lender to issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or to make other arrangements satisfactory to the retiring Issuing Lender to effectively assume the obligations of the retiring Issuing Lender with respect to such Letters of Credit. After any retiring Administrative Agent’s resignation hereunder as Administrative Agent, the provisions of this Section 9 and Sections 10.5 and 10.6

shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor administrative agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Majority Lenders appoint a successor agent as provided for above.

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9.10. Administrative Agent May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Borrower, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 2.5, 3.9 and 10.5) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.5, 3.9 and 10.5.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the obligations of the Borrower hereunder or under any of the other Loan Documents or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

9.11. Guarantee and Collateral Matters. The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion,

(a) to release any Lien on any property granted to or held by the Administrative Agent under any Loan Document (i) upon termination of the Total Revolving Credit Commitments and payment in full of all obligations of the Borrower hereunder or under any of the other Loan Documents (other than contingent indemnification obligations) and the expiration or termination of all Letters of Credit, (ii) that is sold or to be sold as part of or in connection with any sale permitted hereunder or under any other Loan Document, or (iii) subject to Section 10.1, if approved, authorized or ratified in writing by the Majority Lenders; and

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(b) to subordinate any Lien on any property granted to or held by the Administrative Agent under any Loan Document to the holder of any Lien on such property that is permitted by Section 7.3, and

(c) to effect any release of Guarantee Obligations contemplated by Section 10.17.

9.12. Other Agents; Arrangers and Managers. None of the Lenders or other Persons identified on the facing page or signature pages of this Agreement as a "syndication agent," "documentation agent," "co-agent," "book manager," "lead manager," "arranger," "lead arranger" or "co-arranger" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than, in the case of such Lenders, those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders or other Persons so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders or other Persons so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

10. MISCELLANEOUS

10.1. Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower therefrom, shall be effective unless in writing signed by the Majority Lenders and the Borrower and delivered to the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

(a) extend the expiration date of or increase the Revolving Credit Commitment of any Lender (or reinstate any Revolving Credit Commitment terminated pursuant to Section 8.2) without the written consent of such Lender;

(b) postpone any date fixed by this Agreement or any other Loan Document for any payment (excluding mandatory prepayments) of principal, interest or fees payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby;

(c) reduce the principal of, or the rate of interest specified herein on, any Loan or L/C Borrowing, or, subject to clause (v) of the second proviso to this Section 10.1, any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby; provided, however, that only the consent of the Majority Lenders shall be necessary to amend the definition of "Default Rate" or to waive any obligation of the Borrower to pay interest or Letter of Credit Fees at the Default Rate;

(d) change Section 2.14 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender directly affected thereby; or

(e) change any provision of this Section 10.1 or the percentage in the definition of "Majority Lenders" or any other provision hereof specifying the number or

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percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender;

(f) amend, modify or waive any provision of Section 2.3 or 2.4 without the written consent of the Swing Line Lender;

(g) amend, modify or waive any provision of Section 3 without the consent of the Issuing Lender;

(h) amend, modify or waive the provisions of the definition of Interest Period regarding nine or twelve month Interest Periods for Eurodollar Loans without the consent of each relevant Lender;

(i) consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Loan Documents; or

(j) release any Guarantor from its Guarantee Obligations under the Guaranty except as provided in Section 10.17, without the consent of all Lenders;

and, provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Issuing Lender in addition to the Lenders required above, modify the rights or duties of the Issuing Lender under this Agreement or any Application relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Swing Line Lender in addition to the Lenders required above, modify the rights or duties of the Swing Line Lender under this Agreement; (iii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, modify the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; and (iv) Section 10.7(h) may not be amended, waived or otherwise modified without the consent of each Granting Lender all or any part of whose Loans are being funded by an SPC at the time of such amendment, waiver or other modification; and (v) the Fee Letters may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Revolving Credit Commitment of such Lender may not be increased or extended without the consent of such Lender.

Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Borrower, the Lenders, the Administrative Agent and all future holders of the Loans. In the case of any waiver, the Borrower, the Lenders and the Administrative Agent shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon. Any such waiver, amendment, supplement or modification shall be effected by a written instrument signed by the parties required to sign pursuant to the foregoing provisions of this Section 10.1;

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provided, that delivery of an executed signature page of any such instrument by facsimile transmission shall be effective as delivery of a manually executed counterpart thereof.

For the avoidance of doubt, this Agreement may be amended (or amended and restated) with the written consent of the Majority Lenders, the Administrative Agent and the Borrower party to each relevant Loan Document (x) to add one or more additional credit facilities to this Agreement and to permit the extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof to share ratably in the benefits of this Agreement and the other Loan Documents with the Loans, the L/C Obligations and the accrued interest and fees in respect thereof and (y) to include appropriately the Lenders holding such credit facilities in any determination of the Majority Lenders.

10.2. Notices; Effectiveness; Electronic Communication.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail, sent by telecopier or by electronic mail as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrower, the Administrative Agent, the Issuing Lender or the Swing Line Lender, to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule 10.2; and

(ii) if to any other Lender, to the address, telecopier number, electronic mail address or telephone number specified in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be

deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Lenders and the Issuing Lender hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to service of process or to notices to any Lender or the Issuing Lender pursuant to Section 2. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement

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from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) The Platform. THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT-RELATED PERSONS DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT-RELATED PERSONS OR THE BORROWER IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Agent-Related Persons or the Borrower have any liability to any Agent-Related Person, the Borrower, any Lender, or the Issuing Lender for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrower's or the Administrative Agent's transmission of Borrower Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent-Related Persons or the Borrower; provided, however, that in no event shall any Agent-Related Persons or the Borrower have any liability to any Agent-Related Person, the Borrower, any Lender, or the Issuing Lender for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages). Each Lender agrees that the Borrower shall be responsible only for the Borrower Materials and shall not have any liability (unless otherwise agreed in writing by the Borrower) for any other materials made available to the Lenders and shall not have any liability for any errors or omissions other than errors or omissions in the materials delivered to the Administrative Agent by the Borrower. Nothing in this Section 10.2(c) shall limit the obligation of the Administrative Agent and the Lenders under Section 10.16.

(d) Change of Address, Etc. The Borrower, the Administrative Agent, the Issuing Lender and the Swing Line Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the Borrower, the Administrative Agent, the Issuing Lender and the Swing Line Lender. In addition, each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, telecopier number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender.

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(e) Reliance by Administrative Agent, Issuing Lender and Lenders. The Administrative Agent, the Issuing Lender and the Lenders shall be entitled to rely and act upon any notices (including telephonic and written Borrowing Requests and notices of Swing Line Loans) purportedly given by or on behalf of the Borrower; provided that the foregoing shall not apply to losses, costs, expenses and liabilities caused by the gross negligence or willful misconduct of the relevant Lender or any Agent-Related Person even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify the Administrative Agent, the Issuing Lender, each Lender and the Agent-Related Persons from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower; provided that the foregoing shall not apply to losses, costs, expenses and liabilities caused by the gross negligence or willful misconduct of the relevant Lender or any Agent-Related Person. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

(f) Effectiveness of Facsimile Documents and Signatures. Loan Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable Law, have the same force and effect as manually-signed originals and shall be binding on the Borrower, the Administrative Agent and the Lenders. The Administrative Agent may also require that any such documents and signatures be confirmed by a manually-signed original thereof; provided, however, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

10.3. No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by Law.

10.4. Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any extension of credit, and shall continue in full force and effect as long as any Loan or any other obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

10.5. Attorney Costs and Expenses. The Borrower agrees (a) to pay or reimburse the Administrative Agent and the Arrangers for all reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation, negotiation and execution of this

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Agreement and the other Loan Documents and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether or not the transactions contemplated hereby or thereby are consummated), and the consummation and administration of the transactions contemplated hereby and thereby, including all Attorney Costs, and (b) to pay or reimburse the Administrative Agent and each Lender for all reasonable out-of-pocket costs and expenses (which may include, to the extent reasonably incurred, all search, filing, recording, title insurance and appraisal charges and fees and taxes related thereto, and other out-of-pocket expenses incurred by the Administrative Agent and the cost of independent public accountants and other outside experts) incurred in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or the other Loan Documents (including all such costs and expenses incurred during any "workout" or restructuring in respect of the obligations of the Borrower hereunder or under any of the other Loan Documents and during any legal proceeding, including any proceeding under any Debtor Relief Law), including all Attorney Costs. All amounts due under this Section 10.5 shall be payable not later than 30 days following written demand. The agreements in this Section 10.5 shall survive the termination of the Total Revolving Credit Commitments and repayment of all other obligations.

10.6. Indemnification. (a) Whether or not the transactions contemplated hereby are consummated, the Borrower shall indemnify and hold harmless each Agent-Related Person, each Arranger, each Lender and their respective Affiliates, directors, officers, employees, counsel, agents, shareholders and attorneys-in-fact (collectively the "Indemnitees") from and against any and all liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, settlement payments and causes of action of any kind or nature whatsoever and reasonable related out-of-pocket costs and expenses which may at any time be imposed on, incurred, suffered, sustained, required to be paid by or asserted against any such Indemnitee in any way relating to or arising out of or in connection with (a) the execution, delivery, enforcement, performance or administration of any Loan Document or any other agreement, letter or instrument delivered in connection with the transactions contemplated thereby or the consummation of the transactions contemplated thereby, (b) any Revolving Credit Commitment, Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the Issuing Lender to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (c) any actual or alleged presence or release of Hazardous Materials on or from any property currently or formerly owned or operated by the Borrower or any Subsidiary, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (d) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, investigation, litigation or proceeding) and regardless of whether any Indemnitee is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"), in all cases, whether or not caused by or arising, in whole or in part, out of the negligence of the Indemnitee; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, settlement payments, causes of action or costs or expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee. In all such litigation, or the preparation therefor, the Indemnitees shall be entitled to select counsel to the Indemnitees. To the extent reasonably practicable and not disadvantageous to any

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Indemnitee (as reasonably determined by the relevant Indemnitee), it is anticipated that a single counsel selected by the affected Lenders will be used. No Indemnitee shall be liable to the Borrower for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby, and, to the fullest extent permitted by applicable Law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof (whether before or after the Closing Date); provided that this sentence shall not, as to any Indemnitee, apply to the extent such Indemnitee is found by a final non-appealable judgment of a court of competent jurisdiction to have acted with willful misconduct or gross negligence. All amounts due under this Section 10.6 shall be payable not later than 30 days following written demand. The agreements in this Section 10.6 shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the Total Revolving Credit Commitments and the repayment, satisfaction or discharge of all the other obligations of the Borrower hereunder.

(b) To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under Section 10.5 and Section 10.6(a) to be paid by it to the Administrative Agent (or any sub-agent thereof), the Issuing Lender or any Agent-Related Person of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), the Issuing Lender or such Agent-Related Person, as the case may be, such Lender's Revolving Credit Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) or the Issuing Lender in its capacity as such, or against any Agent-Related Person of any of the foregoing acting for the Administrative Agent (or any such sub-agent) or Issuing Lender in connection with such capacity. The obligations of the Lenders under this Section 10.6(b) are subject to the provisions of Section 2.14(f).

10.7. Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of their rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of Section 10.7(b), (ii) by way of participation in accordance with the provisions of Section 10.7(d), (iii) by way of pledge or assignment of a security interest subject to the restrictions of Section 10.7(f), or (iv) to an SPC in accordance with the provisions of Section 10.7(h) (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the

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parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in Section 10.7(d) and, to the extent expressly contemplated hereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Revolving Credit Commitment and the Loans (including for purposes of this subsection (b), participations in L/C Obligations and in Swing Line Loans) at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Revolving Credit Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in subsection (b)(i)(A) of this Section 10.7, the aggregate amount of the Revolving Credit Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Revolving Credit Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than \$5,000,000 unless each of the Administrative Agent and, so long as no Specified Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed); provided, however, that concurrent assignments to members of an Assignee Group and concurrent assignments from members of an Assignee Group to a single assignee (or to an assignee and members of its Assignee Group) will be treated as a single assignment for purposes of determining whether such minimum amount has been met.

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Revolving Credit Commitment assigned, except that this clause (ii) shall not apply to the Swing Line Lender's rights and obligations in respect of Swing Line Loans;

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by subsection (b)(i)(B) of this Section 10.7 and, provided that:

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(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (1) a Specified Event of Default has occurred and is continuing at the time of such assignment or (2) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund;

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required if such assignment is to a Person that is not a Lender or an Affiliate of the assigning Lender;

(C) the consent of the Issuing Lender (such consent not to be unreasonably withheld or delayed) shall be required for any assignment that increases the obligation of the assignee to participate in exposure under one or more Letters of Credit (whether or not then outstanding); and

(D) the consent of the Swing Line Lender (such consent not to be unreasonably withheld or delayed) shall be required for any assignment.

(iv) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee in the amount of \$3,500; provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) No Assignment to Borrower. No such assignment shall be made to the Borrower or any Affiliates or Subsidiaries of the Borrower.

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural person.

(vii) No Assignment to Approved Funds Prior to Specified Event of Default. No such assignment shall be made to an Approved Fund prior to the occurrence of a Specified Event of Default. After the occurrence and during the continuance of any Specified Event of Default, an Approved Fund shall be an Eligible Assignee hereunder.

(viii) Creditworthiness of Affiliates and Approved Funds. Notwithstanding the foregoing, no such assignment shall be made to an Affiliate of a Lender or to an Approved Fund unless such Affiliate or Approved Fund shall be a financial institution having a senior unsecured debt rating of not less than "A-", or its equivalent, by S&P.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to Section 10.7(c), from and after the effective date specified in each Assignment and Assumption,

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the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17, 2.18, 10.5 and 10.6 with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender and a replacement Note, as applicable, to the assigning Lender.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Revolving Credit Commitments of, and principal amounts of the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any Affiliates or Subsidiaries of the Borrower) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Revolving Credit Commitment and/or the Loans (including such Lender's participations in L/C Obligations and/or Swing Line Loans) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent, the Lenders and the Issuing Lender shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 10.1 that directly affects such Participant. Subject to Section 10.7(e), the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 or 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 10.7(b). To the extent permitted by Law, each Participant also shall be entitled to the benefits of Section 10.8 as though it were a Lender, provided such Participant agrees to be subject to Section 2.14 as though it were a Lender.

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(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Sections 2.15, 2.16 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Non-U.S. Lender if it were a Lender shall not be entitled to the benefits of Section 2.16 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Sections 2.16(d) and (e) as though it were a Lender.

(f) Certain Pledges. Notwithstanding anything to the contrary contained herein, any Lender may, with notice to, but without prior consent of the Borrower and the Administrative Agent, at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank (provided that notice to the Borrower and the Administrative Agent shall not be required in the case of a pledge or assignment to secure obligations to a Federal Reserve Bank); provided further that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute, or permit the substitution of, any such pledgee or assignee for such Lender as a party hereto.

(g) Electronic Execution of Assignments. The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

(h) Special Purpose Funding Vehicles. Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may, with notice to, but without prior consent of the Borrower and the Administrative Agent grant to a special purpose funding vehicle identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower (an "SPC") the option to provide all or any part of any Loan that such Granting Lender would otherwise be obligated to make pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment

by any SPC to fund any Loan, and (ii) if an SPC elects not to exercise such option or otherwise fails to make all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof and, if it fails to do so, to make such payment to the Administrative Agent as is required under Section 2.14(e)(ii). Each party hereto hereby agrees that (i) neither the grant to any SPC nor the exercise by any SPC of such option shall increase the costs or expenses or otherwise increase or change the obligations of the Borrower under this Agreement (including its obligations under Section 2.15), (ii) no SPC shall be liable for any indemnity or similar payment obligation under this Agreement for which a Lender would be liable, and (iii) the Granting Lender shall for all purposes, including the approval of any amendment, waiver or other modification of any provision of any Loan Document, remain the lender of record hereunder. The making of a Loan by an SPC hereunder shall utilize the Revolving Credit Commitment of

the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior debt of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceeding under any Debtor Relief Laws or any other Laws. Notwithstanding anything to the contrary contained herein, any SPC may (i) with notice to, but without prior consent of the Borrower and the Administrative Agent and with the payment of a processing fee in the amount of \$3,500 (which processing fee may be waived by the Administrative Agent in its sole discretion), assign all or any portion of its right to receive payment with respect to any Loan to the Granting Lender and (ii) disclose on a confidential basis any non-public information relating to its funding of Loans to any rating agency, commercial paper dealer or provider of any surety or guarantee or credit or liquidity enhancement to such SPC.

(i) Resignation as Issuing Lender or Swing Line Lender after Assignment. Notwithstanding anything to the contrary contained herein, if at any time Bank of America, N.A. assigns all of its Revolving Credit Commitment and Loans pursuant to Section 10.7(b), Bank of America, N.A. may, (i) upon 30 days' notice to the Borrower and the Lenders, resign as Issuing Lender, so long as a successor Issuing Lender (consented to by the Borrower, such consent not to be unreasonably withheld or delayed) has been appointed and/or (ii) upon 30 days' notice to the Borrower, resign as Swing Line Lender, so long as a successor Swing Line Lender (consented to by the Borrower, such consent not to be unreasonably withheld or delayed) has been appointed. In the event of any such resignation as Issuing Lender or Swing Line Lender, the Borrower shall be entitled to appoint from among the Lenders a successor Issuing Lender or Swing Line Lender hereunder; provided, however, that no failure by the Borrower to appoint any such successor shall affect the resignation of Bank of America, N.A. as Issuing Lender or Swing Line Lender, as the case may be. If Bank of America, N.A. resigns as Issuing Lender, it shall retain all the rights and obligations of the Issuing Lender hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as Issuing Lender and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate Loans or fund risk participations in Unreimbursed Amounts pursuant to Section 3.3). If Bank of America, N.A. resigns as Swing Line Lender, it shall retain all the rights of the Swing Line Lender provided for hereunder with respect to Swing Line Loans made by it and outstanding as of the effective date of such resignation, including the right to require the Lenders to make Base Rate Loans or fund risk participations in outstanding Swing Line Loans pursuant to Section 2.4. Upon the appointment of a successor Issuing Lender and/or Swing Line Lender, (a) such successor shall succeed to and become vested with all of the rights and obligations of the retiring Issuing Lender or Swing Line Lender, as the case may be, and (b) the successor Issuing Lender shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to Bank of America, N.A. to effectively assume the obligations of Bank of America, N.A. with respect to such Letters of Credit.

10.8. Adjustments; Set-off. (a) Except to the extent that this Agreement provides for a payment to be allocated to a particular Lender, if any Lender (a "Benefited Lender") shall at any time receive any payment of all or part of the obligations under the Credit Agreement or the other Loan Documents, owing to it, or receive any collateral in respect thereof (whether

voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 8.1(c), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender's obligations under the Credit Agreement or the other Loan Documents, such Benefited Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's obligations under the Credit Agreement or the other Loan Documents, or shall provide such other Lenders with the benefits of any such collateral, as shall be necessary to cause such Benefited Lender to share the excess payment or benefits of such collateral ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) In addition to any rights and remedies of the Lenders provided by Law, each Lender shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable Law, upon any amount becoming due and payable by the Borrower hereunder (whether at the stated maturity, by acceleration or otherwise), to set-off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the Borrower. Each Lender agrees promptly to notify the Borrower, as the case may be, and the Administrative Agent after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application.

10.9. Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

10.10. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.11. Integration. This Agreement, the other Loan Documents and the Fee Letters represent the entire agreement of the Borrower, the Administrative Agent, the Arrangers, the Syndication Agent and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Arrangers, the Administrative Agent, the Syndication Agent or any Lender relative to subject matter hereof not expressly set forth or referred to herein, in the other Loan Documents or in the Fee Letters. The Borrower agrees that its obligations under the Fee Letters shall survive the execution and delivery of this Agreement.

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10.12. GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY).

10.13. SUBMISSION TO JURISDICTION; WAIVERS. THE BORROWER HEREBY IRREVOCABLY AND UNCONDITIONALLY:

(a) SUBMITS FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS TO WHICH IT IS A PARTY, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE NON-EXCLUSIVE GENERAL JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK, THE COURTS OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND APPELLATE COURTS FROM ANY THEREOF;

(b) CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURTS AND WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME;

(c) AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO THE BORROWER AT ITS ADDRESS SET FORTH IN SECTION 10.2 OR AT SUCH OTHER ADDRESS OF WHICH THE ADMINISTRATIVE AGENT SHALL HAVE BEEN NOTIFIED PURSUANT THERETO;

(d) AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT TO SUE IN ANY OTHER JURISDICTION; AND

(e) WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LEGAL ACTION OR PROCEEDING REFERRED TO IN THIS SECTION 10.13 ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES.

10.14. WAIVERS OF JURY TRIAL. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE

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WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 10.14 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

10.15. No Advisory or Fiduciary Responsibility. In connection with this Agreement, the Borrower acknowledges and agrees that: (a) the credit facility provided for hereunder and any related arranging or other services in connection therewith (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document) are an arm's-length commercial transaction between the Borrower and its Affiliates, on the one hand, and the Administrative Agent and the Arrangers, on the other hand, and the Borrower is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents (including any amendment, waiver or other modification hereof or thereof); (b) in connection with the process leading to such transaction, the Administrative Agent and the Arrangers, each is and has been acting solely as a principal and is not the financial advisor, agent or fiduciary, for the Borrower or any of its Affiliates, stockholders, creditors or employees or any other Person; (c) neither the Administrative Agent nor the Arrangers have assumed or will assume an advisory, agency or fiduciary responsibility in favor of the Borrower with respect to this Agreement or the process leading thereto, including with respect to any amendment, waiver or other modification hereof or of any other Loan Document (irrespective of whether the Administrative Agent or the Arrangers have advised or is currently advising the Borrower or any of its Affiliates on other matters) and neither the Administrative Agent nor the Arrangers have any obligation to the Borrower or any of its Affiliates with respect to this Agreement except those obligations expressly set forth herein and in the other Loan Documents; (d) the Administrative Agent and the Arrangers and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and neither the Administrative Agent nor the Arrangers have any obligation to disclose any of such interests by virtue of any advisory, agency or fiduciary relationship; and (e) the Administrative Agent and the Arrangers have not provided and will not provide any legal, accounting, regulatory or tax advice with respect to this Agreement (including any amendment, waiver or other modification hereof or of any other Loan Document) and the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate.

10.16. Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the NAIC), (c) to the extent required by applicable Laws or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to

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this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section 10.16, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section 10.16 or (y) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower, provided that the Administrative Agent or any such Lender, as applicable, will notify the Borrower as soon as practical in advance of any proposed disclosure pursuant to clause (c) above, unless such notification shall be prohibited by applicable law or legal process, so that the Borrower may seek a protective order or other appropriate remedy and the Administrative Agent or any such Lender, as applicable, will disclose only that portion of the Information that it is advised by its counsel is legally required or otherwise necessary to disclose. For purposes of this Section 10.16, "Information" means all information received from the Borrower or any of its Subsidiaries relating to the Borrower or any Subsidiary or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower or any Subsidiary, provided that, in the case of information received from the Borrower or any Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section 10.16 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Each of the Administrative Agent, the Lenders and the Issuing Lender acknowledges that (a) the Information may include material non-public information concerning the Borrower or a Subsidiary thereof, as the case may be, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information in accordance with applicable Law, including Federal and state securities Laws.

10.17. Release of Guarantee Obligations. Notwithstanding anything to the contrary contained herein or any other Loan Document (a) when all obligations of the Borrower hereunder and under the other Loan Documents that are guaranteed under the terms of the Guaranty have been paid in full, all Revolving Credit Commitments have terminated, there exist no unpaid Reimbursement Obligations and no Letter of Credit issued for the account of the Borrower shall be outstanding or (b) so long as no Event of Default has occurred and is continuing, at such time as the aggregate outstanding principal amount of Indebtedness of Subsidiaries of OneBeacon Limited that is guaranteed by the Borrower is \$70,000,000 or less (excluding (i) any series of such Indebtedness if all of such series has been defeased (including legal or covenant defeasance) or discharged and (ii) such Indebtedness to the extent it is held by the Borrower or any of its Subsidiaries), upon request of the Borrower, the Administrative Agent shall (without vote or consent of any Lender) take such actions as may be required to release all Guarantee Obligations of each Guarantor under any Loan Document, including, without limitation, its Guaranty. Any release of Guarantee Obligations pursuant to clause (a) above shall be deemed subject to the provision that such Guarantee Obligations shall be reinstated as to the

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Guarantors at the time of such release, if after such release any portion of any payment in respect of the obligations guaranteed thereby shall be rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or such Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or such Guarantor or any substantial part of its property, or otherwise, all as though such payment had not been made. In addition, upon the request of the Borrower, the Administrative Agent shall (without vote or consent of any Lender) so release all Guarantee Obligations of any Guarantor, if such Guarantor is merged or consolidated into another Person and such Guarantor is not the surviving Person of such merger or consolidation, or such Guarantor is liquidated, wound-up or dissolved, or such Guarantor otherwise ceases to be a Subsidiary of the Borrower; provided, however, that (x) the surviving Person of any such merger or consolidation is, or any assets transferred in connection with such liquidation, winding-up or dissolution are transferred to, a Guarantor (including a Subsidiary of the Borrower that becomes a Guarantor in connection with such transaction) or a Subsidiary of a Guarantor (including a Person that will become a Subsidiary of a Guarantor in connection with such transaction) or (y) after giving effect to any such merger, consolidation, liquidation, winding-up, dissolution, or cessation of such Guarantor's status as a Subsidiary of the Borrower, the aggregate Consolidated Net Worth of all other Guarantors (including any Person that becomes a Guarantor or Subsidiary of a Guarantor in connection with such transaction but excluding for purposes of calculating the aggregate Consolidated Net Worth of all Guarantors any outstanding Indebtedness of the Borrower to a Guarantor (to the extent reflected as an asset of such Guarantor in the calculation of such Consolidated Net Worth)) is not less than the amount then required by Section 7.1(a), on a pro forma basis as of the end of the most recently completed fiscal quarter for which financial statements have been delivered to the Administrative Agent pursuant to Section 6.1(a).

10.18. Accounting Changes. In the event that any "Accounting Change" (as defined below) shall occur and such change results in a change in the method of calculation of financial covenants, standards or terms in this Agreement, then the Borrower and the Administrative Agent agree, upon the request of the Borrower or the Administrative Agent, to enter into negotiations in order to amend such provisions of this Agreement so as to equitably reflect such Accounting Change with the desired result that the criteria for evaluating the Borrower's financial condition shall be the same after such Accounting Change as if such Accounting Change had not been made. Following any such request and until such time as such an amendment shall have been executed and delivered by the Borrower, the Administrative Agent and the Majority Lenders, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Change had not occurred. "Accounting Change" refers to a change in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants, applicable Insurance Regulators, the NAIC or, if applicable, the SEC.

10.19. USA PATRIOT Act Notice. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and

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address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Act.

10.20. Interest Rate Limitation.

(a) Notwithstanding anything to the contrary contained in any Loan Document, if at any time the rate of interest payable under any Loan Document (the "Stated Rate") would exceed the rate of interest permitted to be charged under any applicable Law (the "Maximum Rate"), then for so long as the Maximum Rate would be so exceeded, the rate of interest payable shall be equal to the Maximum Rate; provided that if at any time thereafter, the Stated Rate is less than the Maximum Rate, the Borrower shall, to the extent permitted by applicable Law, continue to pay interest at the Maximum Rate until such time as the total interest received is equal to the total interest which would have been received had the Stated Rate been (but for the operation of this provision) the interest rate payable. Thereafter, the interest rate payable shall be the Stated Rate unless and until the Stated Rate again would exceed the Maximum Rate, in which event this provision shall again apply.

(b) In no event shall the total interest received by a Lender exceed the amount which it could lawfully have received had the interest been calculated for the full term hereof at the Maximum Rate.

[Remainder of Page Left Intentionally Blank]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

The Borrower:

**WHITE MOUNTAINS INSURANCE GROUP,
LTD.**

By: _____
Name:
Title:

**BANK OF AMERICA, N.A., as
Administrative Agent**

By: _____
Name:
Title:

**BANK OF AMERICA, N.A., as
a Lender, Issuing Lender and Swing Line Lender**

By: _____
Name:
Title:

**LEHMAN BROTHERS BANK, FSB, as
a Lender**

By: _____
Name:
Title:

**ADMINISTRATIVE AGENT'S OFFICE;
CERTAIN ADDRESSES FOR NOTICES**

BORROWER:

White Mountains Insurance Group, Ltd.
80 South Main Street
Hanover, NH 03755
Attention: Robert Seelig, Esq.
Telephone: 603-640-2202
Telecopier: 603-643-4592
Electronic Mail: rseelig@whitemountains.com
U.S. Taxpayer Identification Number (White Mountains Insurance Group, Ltd.): 94-2708455

with a copy to:

Cravath, Swaine and Moore LLP
WorldWide Plaza
825 Eighth Avenue
New York, NY 10019-7475
Attention: Paul Michalski
Telecopier: 212-474-3700

ADMINISTRATIVE AGENT:

Administrative Agent's Office
(for payments and Requests for Credit Extensions):
Bank of America, N.A.
2001 Clayton Road
Mail Code: CA4-702-02-25
Concord, CA 94520
Attention: Tina Obcena
Telephone: 925-675-8768
Telecopier: 888-969-9246
Electronic Mail: tina.obcena@bankofamerica.com
Account No.: 3750836479
Ref: White Mountains Insurance Group
ABA# 026009593

Other Notices as Administrative Agent:

Bank of America, N.A.
Agency Management
1455 Market Street, 5th Floor
Mail Code: CA5-701-05-19
San Francisco, CA 94103
Attention: Aamir Saleem
Telephone: 415-436-2769
Telecopier: 415-503-5089
Electronic Mail: aamir.saleem@bankofamerica.com

ISSUING LENDER:

Bank of America, N.A.
Trade Operations
1000 W. Temple Street
Mail Code: CA9-705-07-05
Los Angeles, CA 90012-1514
Attention: Stella Rosales
Telephone: 213-481-7828
Telecopier: 213-580-8441
Electronic Mail: stella.rosales@bankofamerica.com

SWING LINE LENDER:

Bank of America, N.A.
2001 Clayton Road
Mail Code: CA4-702-02-25
Concord, CA 94520

Attention: Tina Obcena
Telephone: 925-675-8768
Telecopier: 888-969-9246
Electronic Mail: tina.obcena@bankofamerica.com
Account No.: 3750836479
Ref: White Mountains Insurance Group
ABA# 026009593

**PRINCIPAL EXECUTIVE OFFICER CERTIFICATION PURSUANT TO RULE 13a - 14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Raymond Barrette, certify that:

1. I have reviewed this quarterly report on Form 10-Q of White Mountains Insurance Group, Ltd.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 2, 2007

/s/ Raymond Barrette

Chairman and Chief Executive Officer
(Principal Executive Officer)

**PRINCIPAL FINANCIAL OFFICER CERTIFICATION PURSUANT TO RULE 13a - 14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, David T. Foy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of White Mountains Insurance Group, Ltd.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 2, 2007

/s/ David T. Foy

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

**PRINCIPAL EXECUTIVE OFFICER
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q of White Mountains Insurance Group, Ltd. (the "Company") for the period ending June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Raymond Barrette, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and,
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

/s/ Raymond Barrette

Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: August 2, 2007

**PRINCIPAL FINANCIAL OFFICER
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q of White Mountains Insurance Group, Ltd. (the "Company") for the period ending June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David T. Foy, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and,
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

/s/ David T. Foy

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: August 2, 2007
