ASSURED GUARANTY LTD
Form 424B3
June 16, 2009

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The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion
Preliminary Prospectus Supplement dated June 16, 2009

PROSPECTUS SUPPLEMENT
(To prospectus dated June 15, 2009)

Equity Units
(Initially Consisting of Corporate Units)

Assured Guaranty Ltd.
Assured Guaranty US Holdings Inc.

The Equity Units will each have a stated amount of $50 and will initially be in the form of Corporate Units, each of which consists of a purchase contract issued by us and, initially, a 1/20, or 5%, undivided beneficial ownership interest in $1,000 principal amount of senior notes due June 1, 2014, issued by Assured Guaranty US Holdings Inc., which we refer to as the "notes." We will fully and unconditionally guarantee all payments on the notes.

The purchase contract will obligate you to purchase from us, no later than June 1, 2012, for a price of $50 in cash, the following number of our common shares, subject to anti-dilution adjustments:

if the "applicable market value" of our common shares, which is the average closing price of our common shares over the 20-trading day period ending on the third trading day prior to June 1, 2012, equals or exceeds $, of our common shares;

if the applicable market value is less than $ but greater than $, a number of our common shares having a value, based on the applicable market value, equal to $50; and if the applicable market value is less than or equal to $, of our common shares.

The notes will initially bear interest at a rate of % per year, payable, initially, quarterly. The notes will be remarketed as described in this prospectus supplement. Following a successful remarketing, the interest rate on the notes will be reset and interest may become payable semi-annually if Assured Guaranty US Holdings Inc. so elects. In addition, following a successful remarketing, Assured Guaranty US Holdings Inc. may modify certain terms of the notes as described in this prospectus supplement.

You can create Treasury Units from Corporate Units by substituting Treasury securities for the notes, and you can recreate Corporate Units by substituting notes for the Treasury securities comprising a part of the Treasury Units.

Your ownership interest in a note or, if substituted for it, the Treasury securities or the applicable ownership interest in the Treasury portfolio, as the case may be, will be pledged to us to secure your obligation under the related purchase contract.

If there is a successful remarketing during the "period for early remarketing" described in this prospectus supplement, the notes comprising a part of the Corporate Units will be replaced by the Treasury portfolio described in this prospectus supplement.

Neither the Corporate Units, the Treasury Units nor the notes will be listed on any national securities exchange. Our common shares are traded on the New York Stock Exchange under the symbol "AGO." The last reported sale price of our common shares on June 12, 2009 was $14.89 per share.

Concurrently with this offering, we are offering common shares (or common shares if the underwriters exercise their overallotment option in full) pursuant to a separate prospectus supplement and accompanying prospectus. This Equity Units offering is not contingent upon the common shares offering, and the common shares offering is not contingent upon this equity units offering.

Investing in our Equity Units involves risks. See "Risk Factors" beginning on page S-32 of this prospectus supplement.

	Per Unit	Total
Public offering price	$ 50.00	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to Assured Guaranty Ltd	$	$

The underwriters may also purchase up to an additional Equity Units at the public offering price less the underwriting discounts and commissions within a 13-day period beginning on (and including) the initial date of issuance of the Equity Units in order to cover overallotments, if any.

Funds controlled by WL Ross & Co. LLC have pre-emptive rights to purchase up to 25% or $150 million worth (whichever is greater) of the Equity Units offered in this offering.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense. The securities are not being offered in any jurisdiction where the offer is not permitted.

The Equity Units will be ready for delivery in book-entry form only through The Depository Trust Company on or about June , 2009.

Sole *Book-Running Manager*

Merrill Lynch & Co. **Citi**

The date of this prospectus supplement is June , 2009.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate as of the date on the front of this prospectus supplement only. Our business, financial condition, results of operations and prospects may have changed since that date.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is comprised of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of Equity Units and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement.

You should rely only on information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein. We have not, and the underwriters have not, authorized anyone to provide you with information that is different. The information in this prospectus supplement and the accompanying prospectus may only be accurate as of the date of this prospectus supplement.

It is important for you to read and consider all information contained or incorporated by reference into this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information in the documents to which we have referred you in "Where You Can Find More Information" in this prospectus supplement.

We have obtained consent from the Bermuda Monetary Authority for the issue and transfer of our common shares to and between persons regarded as non-residents in Bermuda for exchange control purposes, provided our common shares remain listed on an appropriate stock exchange, which includes the New York Stock Exchange, Inc. Issues and transfers of common shares to any person regarded as resident in Bermuda for exchange control purposes may require the specific prior approval from the Bermuda Monetary Authority. In addition, this prospectus supplement and the accompanying prospectus will be filed with the Registrar of Companies in Bermuda in accordance with Bermuda law. The Bermuda Monetary Authority and Registrar of Companies accept no responsibility for the financial soundness of any proposal or for the correctness of any of the statements made or opinions expressed in this prospectus supplement.

Any person who, directly or indirectly, becomes a holder of at least 10 per cent., 20 per cent., 33 per cent., or 50 per cent. of the common shares must notify the Bermuda Monetary Authority in writing within 45 days of becoming such a holder or 30 days from the date they have knowledge of having such a holding, whichever is later. The Bermuda Monetary Authority may, by written notice, object to such a person if it appears to the Bermuda Monetary Authority that the person is not fit and proper to be such a holder. The Bermuda Monetary Authority may require the holder to reduce its holding of common shares in the Company and direct, among other things, that voting rights attaching to the common shares shall not be exercisable. A person that does not comply with such a notice or direction from the Bermuda Monetary Authority will be guilty of an offence.

For so long as we have as a subsidiary an insurer registered under the Insurance Act (Bermuda), the Bermuda Monetary Authority may at any time, by written notice, object to a person holding 10 per cent. or more of our common shares if it appears to the Bermuda Monetary Authority that the person is not or is no longer fit and proper to be such a holder. In such a case, the Bermuda Monetary Authority may require the shareholder to reduce its holding of common shares in us and direct, among other things, that such shareholder's voting rights attaching to the common shares shall not be exercisable. A person who does not comply with such a notice or direction from the Bermuda Monetary Authority will be guilty of an offence.

References in this prospectus supplement and the accompanying prospectus to "Assured Guaranty," "Assured," "we," "us," "our" and the "Company," refer to Assured Guaranty Ltd. and, unless the context otherwise requires or unless otherwise stated, its subsidiaries. References in this prospectus supplement and the accompanying prospectus to "Assured Guaranty US Holdings" or "AGUSH" refer to Assured Guaranty US Holdings Inc. and, unless the context otherwise requires or unless otherwise stated, its subsidiaries.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus, and the documents incorporated herein by reference, may contain "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements may include forward-looking statements which reflect Assured's current views with respect to future events and financial performance. These statements include forward-looking statements both with respect to us specifically and the insurance and reinsurance industries in general. Statements which include the words "expect," "intend," "plan," "believe," "project," "anticipate," "may," "will," "continue," "further," "seek" and similar words or statements of a future or forward-looking nature identify forward-looking statements for purposes of the federal securities laws or otherwise. All forward-looking statements address matters that involve risks and uncertainties. These risks and uncertainties include, but are not limited to, economic, competitive, legal, governmental and technological factors. Accordingly, there are or will be important factors that could cause Assured's actual results to differ materially from those indicated in these statements. We believe that these factors include the following:

- downgrades of the financial strength ratings assigned by the major rating agencies to any of our insurance subsidiaries at any time, which has occurred in the past;
- downgrades of the transactions we insure;
- our inability to execute our business strategy;
- reduction in the amount of reinsurance facultative cessions or portfolio opportunities available to us;
- contract cancellations;
- developments in the world's financial and capital markets that adversely affect our loss experience, the demand for our products, our access to capital, our unrealized (losses) gains on derivative financial instruments or our investment returns;
- more severe or frequent losses associated with our insurance products, or changes in our assumptions used to estimate loss reserves and unrealized (losses) gains on derivative financial instruments;
- impact of market volatility on the marking to market on our contracts written in CDS form;
- changes in regulation or tax laws applicable to us, our subsidiaries or customers;
- governmental actions;
- natural or man-made catastrophes;
- dependence on customers;

decreased demand for our insurance or reinsurance products or increased competition in our markets;

loss of key personnel;

technological developments;

the effects of mergers, acquisitions and divestitures;

changes in accounting policies or practices;

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- changes in the credit markets, segments thereof or general economic conditions, including the overall level of activity in the economy or particular sectors, interest rates, credit spreads and other factors;

- other risks and uncertainties that have not been identified at this time; and

- management's response to these factors.

The foregoing review of important factors should not be construed as exhaustive, and should be read in conjunction with the other cautionary statements that are included in Assured's periodic reports filed with the Securities and Exchange Commission (the "SEC"). We undertake no obligation to update publicly or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

If one or more of these or other risks or uncertainties materialize, or if Assured's underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statements you read in this prospectus supplement, in the accompanying prospectus, or in the documents incorporated by reference reflect Assured's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to Assured's operations, results of operations, growth strategy and liquidity.

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in Section 27A of the Securities Act and Section 21E of the Exchange Act.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights basic information about Assured Guaranty, Assured Guaranty US Holdings and this offering. Because it is a summary, it does not contain all of the information that you should consider before investing in the Equity Units. You should read this entire prospectus supplement, the accompanying prospectus and the documents that we have filed with the SEC that are incorporated herein by reference, including the financial statements and notes thereto, carefully before making an investment decision.

Assured Guaranty Ltd.

Assured Guaranty Ltd. is a Bermuda based holding company that provides, through its operating subsidiaries, credit enhancement products to the public finance, structured finance and mortgage markets. Credit enhancement products are financial guaranty or other types of financial support, including credit derivatives, that improve the credit of underlying debt obligations. A derivative is a financial instrument whose characteristics and value depend upon the characteristics and value of an underlying security or commodity. We apply our credit expertise, risk management skills and capital markets experience to develop insurance, reinsurance and derivative products that meet the credit enhancement needs of our customers. We market our products directly and through financial institutions, serving the U.S. and international markets.

Our principal operating subsidiaries are Assured Guaranty Corp. ("AGC") and Assured Guaranty Re Ltd. ("AG Re").

AGC is a Maryland-domiciled insurance company and provides insurance and reinsurance of investment-grade financial guaranty exposures and credit default swap ("CDS") transactions.

AG Re is incorporated under the laws of Bermuda and is licensed as a Class 3B Insurer and a Long-Term Insurer under the Insurance Act 1978 and related regulations of Bermuda. AG Re indirectly owns the entire share capital of Assured Guaranty Re Overseas Ltd. ("AGRO"). AG Re and AGRO underwrite financial guaranty and residential mortgage reinsurance. AG Re and AGRO write business as direct reinsurers of third-party primary insurers and as reinsurers/retrocessionaires of certain affiliated companies.

Assured Guaranty Ltd. has four principal business segments: (1) financial guaranty direct, which includes transactions whereby we provide an unconditional and irrevocable guaranty that indemnifies the holder of a financial obligation against non-payment of principal and interest when due, and could take the form of a credit derivative; (2) financial guaranty reinsurance, which includes agreements whereby we are a reinsurer and agree to indemnify a primary insurance company against part or all of the loss which the latter may sustain under a policy it has issued; (3) mortgage guaranty, which includes mortgage guaranty insurance and reinsurance whereby we provide protection against the default of borrowers on mortgage loans; and (4) other, which includes lines of business in which we are no longer active.

Our principal operating subsidiaries have the following insurance financial strength ratings:

	S&P	Moody's	Fitch
Assured Guaranty Corp.	AAA (Stable)	Aa2 (Under review for possible downgrade)	AA (Rating Watch Evolving)
Assured Guaranty Re Ltd.	AA (Stable)	Aa3 (Under review for possible downgrade)	AA- (Rating Watch Evolving)

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Our total financial guaranty net par outstanding as of March 31, 2009 was $237.2 billion, diversified across public finance and structured finance exposures. A breakdown of net par outstanding as of March 31, 2009 by type of business is as follows:

	March 31, 2009			
	Financial Guaranty Direct Net Par Outstanding	Financial Guaranty Reinsurance Net Par Outstanding	Consolidated Net Par Outstanding	% of Total
	(dollars in millions)			
U.S. public finance	$ 45,548	$ 81,616	$ 127,164	53.6%
U.S. structured finance	63,695	8,421	72,116	30.4
International	26,327	11,568	37,896	16.0
Total net par outstanding	$ 135,570	$ 101,606	$ 237,176	100.0%

Our net earned premiums for the year ended December 31, 2008 were $261.4 million compared with $159.3 million for the year ended December 31, 2007. Our net earned premiums for the three months ended March 31, 2009 were $148.4 million compared with $46.8 million for the three months ended March 31, 2008. Our net income for the year ended December 31, 2008 was $68.9 million compared to a loss of $303.3 million for the year ended December 31, 2007. Our net income for the three months ended March 31, 2009 was $85.5 million compared to a net loss of $169.2 million for the three months ended March 31, 2008. Our shareholders' equity as of March 31, 2009 was $2.0 billion, or $22.48 per common share, compared to $1.9 billion at December 31, 2008, or $18.63 per common share. Effective January 1, 2009, we adopted FAS No. 163, "Accounting for Financial Guarantee Insurance Contracts" ("FAS 163"). As a result of the adoption of FAS 163, net premiums earned and losses and loss adjustment expenses are not comparable between 2008 and 2009.

We believe we are in a strong market position due to our high quality insured portfolio and limited exposure to troubled asset classes. As a highly rated and well capitalized insurer, we continue to see significant demand for our guarantee. For the five months ended May 31, 2009, we have guaranteed 794 U.S. public finance new issue transactions totaling $15.2 billion of par. This represents approximately 10.6% of total U.S. public finance new issue volume during this period, an increase of 4.8% over the five months ended May 31, 2008. We will continue to review opportunities to take advantage of current market conditions, including reinsurance of portfolios of risks and acquiring portfolios of risks, in each case meeting our strict underwriting and pricing criteria.

In November 2008, we entered into a purchase agreement (as amended, the "Purchase Agreement") with Dexia Holdings, Inc. ("Dexia Holdings") and Dexia Crédit Local S.A., to acquire (the "Acquisition") Financial Security Assurance Holdings Ltd. ("FSAH"), the parent company of, among others, Financial Security Assurance Inc. ("FSA"), a financial guaranty insurer. FSAH's ultimate parent is Dexia SA ("Dexia"). For more information concerning FSAH, see " Financial Security Assurance Holdings Ltd." and "The Business of Financial Security Assurance Holdings Ltd."

For more information concerning Assured's business, see "The Business of Assured Guaranty Ltd."

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Assured Guaranty US Holdings Inc.

Assured Guaranty US Holdings Inc. was formed as a holding company to hold the shares of AGC and AG Financial Products Inc. It is a wholly owned subsidiary of Assured Guaranty and was formed under the laws of the State of Delaware in February 2004. Its principal executive offices are at 1325 Avenue of the Americas, New York, New York, and its telephone number is (212) 974-0100.

Financial Security Assurance Holdings Ltd.

FSAH, through its insurance company subsidiaries, provides financial guaranty insurance on public finance obligations in domestic and international markets. Historically, FSAH also provided financial guaranty insurance on asset-backed obligations. In August 2008, FSAH announced that it would cease insuring asset-backed obligations and instead participate exclusively in the global public finance financial guaranty business. In addition, prior to November 2008, FSAH issued FSA-insured guaranteed investment contracts ("GICs") and other investment agreements, as well as medium term notes ("MTNs") to municipalities and other market participants through its financial products ("Financial Products") segment.

FSAH's principal operating subsidiary has the following insurance financial strength ratings:

	S&P	Moody's	Fitch
Financial Security Assurance, Inc.	AAA (Negative)	Aa3 (Under review for possible downgrade)	AA+ (Negative Credit Watch)

FSAH's total financial guaranty net par outstanding was $417.5 billion as of March 31, 2009. A breakdown of net par outstanding as of March 31, 2009 by type of business is as follows:

	March 31, 2009 Net Par Outstanding	March 31, 2009 % of Total
	(dollars in millions)	
U.S. public finance	$ 293,968	70.4%
U.S. structured finance	77,179	18.5
International	46,159	11.1
Total net par outstanding	$ 417,306	100.0%

FSAH's net premiums earned for the year ended December 31, 2008 were $376.6 million compared with $317.8 million for the year ended December 31, 2007. FSAH's net premiums earned for the three months ended March 31, 2009 were $78.5 million compared with $72.9 million for the three months ended March 31, 2008. FSAH's net loss for the year ended December 31, 2008 was $8,443.2 million compared to a loss of $65.7 million for the years ended December 31, 2007. FSAH's net income for the three months ended March 31, 2009 was $11.5 million compared with a net loss of $421.6 million for the three months ended March 31, 2008. FSAH's shareholders' equity as of March 31, 2009 was $2.3 billion. Effective January 1, 2009, FSAH adopted FAS 163. As a result of the adoption of FAS 163, net premiums earned and losses and loss adjustment expenses are not comparable between 2008 and 2009.

For more information concerning FSAH's business, see "The Business of Financial Security Assurance Holdings Ltd."

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Acquisition of Financial Security Assurance Holdings Ltd.

In November 2008, we entered into the Purchase Agreement pursuant to which we will acquire FSAH from Dexia Holdings in exchange for the issuance of up to 44,567,901 Assured common shares, or approximately 27.4% of our outstanding common shares after giving effect to the Acquisition and this offering (assuming a public offering price of $14.89 per common share in this offering, the closing price of our common shares on June 12, 2009), and $361 million in cash. Under the Purchase Agreement, we are required to pay $8.10 per Assured common share in cash in lieu of any Assured common shares that would result in the 44,567,901 Assured common shares otherwise issuable to Dexia Holdings under the Purchase Agreement exceeding 24.9% of our outstanding common shares after giving effect to such issuance and this offering. Assuming a public offering price of $14.89 per common share in this offering, the closing price of our common shares on June 12, 2009, we would be required to pay Dexia Holdings approximately $44.5 million in cash in lieu of issuing approximately 5.5 million Assured common shares. In addition, under the Purchase Agreement, we may elect to pay $8.10 per Assured common share in cash in lieu of up to 22,283,951 Assured common shares that we would otherwise deliver to Dexia Holdings as part of the purchase price. Dexia Holdings has agreed that the voting power with respect to the Assured common shares owned by it will be reduced to less than 9.5% of the total voting power of all Assured common shares outstanding. We intend to finance the cash portion of the Acquisition and the payment of cash to Dexia Holdings in lieu of 22,283,951 Assured common shares with the net proceeds of this offering and the Concurrent Equity Units Offering (as defined below). See "Use of Proceeds."

The Acquisition represents a unique opportunity for Assured to create the premier financial guaranty company by combining the talent, capacity, financial resources and relationships of Assured and FSAH. We believe the combination of Assured and FSAH will also enhance our financial strength and enhance our competitive position in the market. Through the acquisition of FSAH, we will increase our gross unearned premium reserves by $4.0 billion (prior to the impact of purchase accounting adjustments) and our financial guaranty net par outstanding by $417.3 billion, in each case as of March 31, 2009.

Prior to November 2008, FSAH, through its Financial Products subsidiaries (the "Financial Products Companies"), offered FSA-insured GICs and other investment agreements, including MTNs. In connection with the Acquisition, FSAH will transfer to a subsidiary of Dexia Holdings the ownership interests in the Financial Products Companies that it holds. The Financial Products Companies include (a) three FSAH subsidiaries that issued GICs (collectively, the "GIC Issuers"), (b) FSAH's subsidiary FSA Asset Management LLC ("FSAM"), which invests the proceeds of the GICs issued by the GIC Issuers, and (c) FSA Global Funding Limited ("FSA Global"), a variable interest entity that engages in the MTN business. The GIC Issuers and FSAM together constitute the "GIC Subsidiaries." Even though FSAH will no longer own the Financial Products Companies after the Acquisition, FSA's guarantees of the GICs and MTNs and other guarantees related to FSA's MTN and Leveraged Tax Lease Businesses (as defined below) generally will remain in place. In February 2009, Dexia entered into several agreements that transferred credit and liquidity risks of the GIC operations to Dexia (the "February 2009 Risk Transfer Transaction"). In connection with the Acquisition, Dexia and/or certain of its affiliates will enter into agreements assuming the remaining credit and liquidity risks associated with FSAH's former Financial Products business. See "Description of the Acquisition Financial Products Agreements."

The Acquisition is subject to customary closing conditions, including receipt of regulatory approvals in the United States and foreign countries. All of these conditions, other than those that, by their nature, are to be satisfied at the closing, have been satisfied or waived. We expect to close the Acquisition on or about July 1, 2009.

For more information concerning the Acquisition, see "Description of the Acquisition."

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Business Strategy

Our objective is to build long-term shareholder value by achieving strong growth in book value per share through the following:

Exercising strict underwriting discipline. We have underwriting standards designed to protect our company against credit losses. We have exercised discipline in new business written through the credit cycle, including limiting exposure to higher risk asset classes such as certain types of residential mortgage-backed securities ("RMBS"). We constantly review our underwriting standards to reflect current global economic conditions and their impact on the municipal and structured finance markets, seeking to amend and/or strengthen our criteria where necessary.

Conduct direct business through dual operating platforms. Following the Acquisition, we will write direct financial guarantee business through our two operating subsidiaries, AGC and FSA. These dual platforms will allow us to capitalize on the well established franchise of each company and allow us to provide investors with increased capacity and greater risk diversification. We will however, operate through a common infrastructure and risk management framework to create maximum operating efficiencies.

Capitalizing on the strong market position of our direct financial guaranty business. Following the acquisition of FSAH, we expect to be the largest writer of financial guarantees in the market. Our acquisition of FSAH will bring expanded relationships and experience, especially in the municipal finance and international infrastructure sectors. We intend to capitalize on our leading market position, as shown in the five months ended May 31, 2009, where we have guaranteed $15.2 billion of U.S. public finance new issue transactions, representing approximately 85% of the total insured U.S. public finance new issue volume during this period. We believe we are uniquely positioned to expand our direct financial guaranty business as financial markets stabilize and new issue volumes increase.

Utilize significant reinsurance market position to enhance strategic flexibility. We intend to maintain our significant financial guaranty reinsurance presence and leverage our position to enhance our operating flexibility in the market. While our treaty business has ceased due to lack of new business generation by other financial guaranty companies, we will seek opportunities to write new business in domestic and international markets that capitalizes on our efficient delivery of credit enhancement, including supporting new capacity which may be formed in the market over time. We will continue to review opportunities to take advantage of current market conditions, including reinsurance of portfolios of risks which meet our underwriting and pricing criteria.

Proactive loss mitigation. We continuously monitor trends and changes in our financial guaranty portfolio to detect deterioration in credit quality and to enable us to take remedial actions to minimize losses in transactions which perform below our expectations. In cases where there is a potential source of loss, we intend to aggressively pursue all sources of recovery from third parties.

Maintaining our commitment to financial strength. We recognize the importance of our excellent financial strength ratings and intend to write business in a manner consistent with maintaining the highest possible ratings for AGC and AG Re. We seek to maintain our financial strength through disciplined risk selection, prudent operating and financial leverage and a conservative investment posture. The Acquisition furthers this strategy by strengthening our balance sheet and enhancing our capital position.

Utilize capital efficiently. We rigorously monitor rating agency capital adequacy requirements to appropriately deploy capital to optimize the execution of our business plan and our return on capital.

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Recent Developments

Moody's Ratings On May 20, 2009, Moody's Investors Service ("Moody's") placed under review for possible downgrade the Aa2 insurance financial strength rating of AGC, as well as the ratings of other entities within the Assured group. In its public announcement of the rating action, Moody's stated that this action reflects its view that despite recent improvements in Assured's market position, the expected performance of Assured's insured portfolio particularly the mortgage-related risks has substantially worsened. At the same time, Moody's also placed the Aa3 insurance financial strength ratings of FSA and its affiliated insurance operating companies on review for possible downgrade. In its public announcement of the rating action, Moody's cited its growing concerns about FSA's business and financial profile as a result of further deterioration in FSA's US mortgage portfolio and the related adverse effect on its capital adequacy, profitability, and market traction. In both press releases, Moody's noted that it has taken a more negative view of mortgage-related exposures in light of worse-than-expected performance trends, and recognized the continued susceptibility of the insured portfolio to the weak economic environment. Moody's also commented that the deterioration in the insured portfolios could have negative implications for the companies' franchise values, profitability and financial flexibility given the likely sensitivity of those business attributes to its capital position. Moody's also noted that the market dislocation caused by the declining financial strength of financial guaranty insurers may alter the competitive dynamics of the industry by encouraging the entry of new participants or the growth of alternative forms of execution.

Fitch Ratings On May 4, 2009, Fitch Ratings ("Fitch") downgraded the debt and insurer financial strength ratings of Assured Guaranty and its subsidiaries. Fitch's insurer financial strength ratings for AGC and Assured Guaranty (UK) Ltd. ("AG UK") are now AA (rating watch evolving), down from AAA (stable), while the insurer financial strength ratings for AG Re is AA- (rating watch evolving), down from AA (stable). Fitch cited Assured's exposures to mortgage-related and collateralized debt obligations of trust preferred securities as creating pressure on Assured's capital position. On May 11, 2009, Fitch lowered the rating of FSA to AA+ (negative credit watch). Fitch reported that the downgrade of FSA to AA+ was attributable to FSAH's credit exposure to the AA+ rating of the Kingdom of Belgium in connection with the separation of the Financial Products operations from FSA.

Favorable Litigation Settlement Assured Guaranty's subsidiary, Assured Guaranty Mortgage Insurance Company ("AGMIC"), reinsured a private mortgage insurer under a mortgage insurance stop loss excess of loss reinsurance agreement covering the reinsured's aggregate mortgage guaranty insurance losses in excess of a $25 million retention and subject to a $95 million limit. In April 2008, AGMIC notified the reinsured it was terminating the agreement because of the reinsured's breach of terms. This matter went to arbitration and on June 4, 2009, the arbitration panel issued a Final Interim Award with respect to this agreement in which the majority of the panel concluded that the reinsured breached a covenant in the agreement. AGMIC and the reinsured reached an agreement in principle on June 10, 2009 to settle the matter in full in exchange for a payment by AGMIC to the reinsured of $10 million, which resolves all disputes between the parties and concludes all remaining rights and obligations of the parties under the Agreement, subject to the execution of a final settlement agreement.

Investing in our Equity Units includes risks. See "Risk Factors" beginning on page S-32 of this prospectus supplement.

Our principal executive officers are located at 30 Woodbourne Avenue, Hamilton HM 08, Bermuda, and our telephone number is (441) 299-9375. Our Internet website address is *www.assuredguaranty.com*. The information on or connected to our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus, and you should not consider them to be a part of this prospectus supplement or the accompanying prospectus.

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Summary Historical Financial Data of Assured Guaranty Ltd.

The following table sets forth summary historical financial data for Assured. The audited financial data have been derived from Assured's audited financial statements. The interim financial data have been derived from Assured's unaudited financial statements and include, in the opinion of Assured's management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial data. The results for the three-month periods do not necessarily indicate the results to be expected for the full year.

You should read the following information in conjunction with Assured's financial statements and notes thereto and the other financial information included or incorporated by reference in this prospectus supplement and the accompanying prospectus.

	Three Months Ended March 31,		Year Ended December 31,				
	2009	2008	2008	2007	2006	2005	2004
	(unaudited)		(dollars in millions, except per share amounts)				
Statement of Operations Data:							
Net earned premiums(1)	$ 148.4	$ 46.8	$ 261.4	$ 159.3	$ 144.8	$ 139.4	$ 98.7
Net investment income	43.6	36.6	162.6	128.1	111.5	96.8	94.8
Net realized investment (losses) gains	(17.1)	0.6	(69.8)	(1.3)	(2.0)	2.2	12.0
Realized gains and other settlements on credit derivatives	20.6	27.6	117.6	74.0	73.9	57.1	(13.1)
Unrealized gains (losses) on credit derivatives	27.0	(259.6)	38.0	(670.4)	11.8	4.4	137.4
Other income	20.6	8.5	43.4	8.8	0.4	0.2	0.8
Total revenues	243.1	(139.4)	553.2	(301.6)	340.4	300.3	330.5
Loss and loss adjustment expenses (recoveries)(1)	79.8	55.1	265.8	5.8	11.3	(63.9)	(48.2)
Profit commission expense	0.3	1.2	1.3	6.5	9.5	12.9	15.5
Acquisition costs	23.4	11.9	61.2	43.2	45.2	45.4	49.7
Other operating expenses	32.3	28.6	83.5	79.9	68.0	59.0	67.8
Other expense	1.4	0.7	5.7	2.6	2.5	3.7	1.6
Interest expense	5.8	5.8	23.3	23.5	13.8	13.5	10.7
Total expenses	143.0	103.4	440.9	161.4	150.4	70.7	97.2
Income (loss) before provision (benefit) for income taxes	100.1	(242.8)	112.3	(463.0)	190.0	229.6	233.3
Provision (benefit) for income taxes	14.6	(73.6)	43.4	(159.8)	30.2	41.2	50.5
Net income (loss)	$ 85.5	$ (169.2)	$ 68.9	$ (303.3)	$ 159.7	$ 188.4	$ 182.8
Earnings (loss) per share:(2)							
Basic	$ 0.94	$ (2.09)	$ 0.78	$ (4.38)	$ 2.15	$ 2.51	$ 2.42
Diluted	$ 0.93	$ (2.09)	$ 0.77	$ (4.38)	$ 2.13	$ 2.50	$ 2.42
Dividends per share	$ 0.045	$ 0.045	$ 0.18	$ 0.16	$ 0.14	$ 0.12	$ 0.06
Balance sheet data (end of period):							
Investments and cash	$3,812.3	$3,317.0	$3,643.6	$3,147.9	$2,469.9	$2,256.0	$2,157.9
Prepaid reinsurance premiums	23.7	17.5	18.9	13.5	4.5	9.5	11.8
Total assets	5,588.3	4,062.0	4,555.7	3,762.9	2,931.6	2,689.8	2,689.0
Unearned premium reserves	2,153.3	1,014.2	1,233.7	887.2	631.0	524.6	507.2
Reserves for losses and loss adjustment expenses	222.6	177.7	196.8	125.6	115.9	117.4	217.2
Long-term debt	347.2	347.2	347.2	347.1	347.1	197.3	197.4
Total liabilities	3,562.7	2,569.4	2,629.5	2,096.4	1,280.8	1,028.3	1,161.4
Accumulated other comprehensive (loss) income	1.8	51.6	2.9	56.6	41.9	45.8	79.0
Shareholders' equity	2,025.6	1,492.7	1,926.2	1,666.6	1,650.8	1,661.5	1,527.6

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(1) In May 2008, the Financial Accounting Standards Board issued FAS 163, which requires that we recognize a claim liability prior to an event of default (insured event) when there is evidence that credit deterioration has occurred in an insured financial obligation. FAS 163 also clarifies the methodology to be used for financial guaranty premium revenue recognition and claim liability measurement, as well as requiring expanded disclosures about risk management activities. The provisions of FAS 163 related to premium revenue recognition and claim liability measurement are effective for financial

statements issued for fiscal years beginning after December 15, 2008, and all interim periods within those fiscal years. Earlier application of these provisions was not permitted. As a result of the adoption of FAS 163, net premiums earned and loss and loss adjustment expenses are not comparable between 2008 and 2009 periods. The expanded risk management activity disclosure provisions of FAS 163 were effective for the third

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quarter of 2008 and were included in the Company's consolidated financial statements for those periods. FAS 163 will be applied to all existing and future financial guaranty insurance contracts written by the Company. FAS 163 mandates the accounting changes proscribed by the statement be recognized by the Company as a cumulative effect adjustment to retained earnings as of January 1, 2009. The impact of adopting FAS 163 on the Company's balance sheet was included in the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2009, which is incorporated herein by reference.

(2) Effective January 1, 2009, the Company adopted FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" ("FSP"), which clarifies that share-based payment awards that entitle their holders to receive nonforfeitable dividends or dividend equivalents before vesting should be considered participating securities and shall be included in the calculation of basic and diluted earnings per share ("EPS"). Upon retrospective adoption of the FSP, Assured decreased previously reported basic loss per share by $0.02 and $0.08 for the three months ended March 31, 2008 and the year ended December 31, 2007, respectively, and decreased previously reported basic EPS by $0.03, $0.04 and $0.02 for the years ended December 31, 2006, 2005 and 2004, respectively. Upon retrospective adoption of the FSP, Assured decreased previously reported diluted loss per share by $0.02 and $0.08 for the three months ended March 31, 2008 and the year ended December 31, 2007, respectively, and decreased previously reported diluted EPS by $0.02, $0.03 and $0.02 for the years ended December 31, 2006, 2005 and 2004, respectively. There was no impact on both previously reported basic and diluted EPS for 2008.

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Summary Historical Financial Data of Financial Security Assurance Holdings Ltd.

The following table sets forth summary historical financial data for FSAH. The annual financial data have been derived from FSAH's audited financial statements. The interim financial data have been derived from FSAH's unaudited financial statements and include, in the opinion of FSAH's management, all adjustments (consisting only of normal recurring adjustments and entries required to record the February 2009 Risk Transfer Transaction) necessary for a fair presentation of the financial data. The results for the three-month periods do not necessarily indicate the results to be expected for the full year. Furthermore, FSAH's financial statements for the periods prior to December 31, 2008 include FSAH's GIC operations, which were the subject of the February 2009 Risk Transfer Transaction and FSAH's other Financial Products businesses which we are not acquiring.

You should read the following information in conjunction with FSAH's financial statements and notes thereto and other financial information included or incorporated by reference into this prospectus supplement and the accompanying prospectus.

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Summary Historical Financial Data of Financial Security Assurance Holdings Ltd.

	As of and for the Period Ended						
	March 31,		December 31,				
	2009	2008	2008	2007	2006	2005	2004
	(Unaudited)		(dollars in millions)				
Summary of Operations:							
Revenue							
Net premiums earned(1)	$ 78.5	$ 72.9	$ 376.6	$ 317.8	$ 301.5	$ 314.9	$ 325.9
Net investment income from general investment portfolio	62.1	64.8	264.2	236.7	218.9	200.8	172.1
Net interest income from financial products segment	34.4	208.8	647.4	1,079.6	858.2	487.9	194.7
Realized gains (losses) and other settlements on credit derivatives	(45.8)	36.2	126.9	102.8	87.2	89.2	69.1
Net unrealized (losses) gains on credit derivatives	573.2	(489.1)	(745.0)	(642.6)	31.8	11.1	56.4
Net realized and unrealized gains (losses) on derivative instruments	(180.5)	430.8	1,424.5	62.8	131.4	(183.6)	272.9
Expenses							
Losses and loss adjustment expenses(1)	350.9	300.4	1,877.7	31.6	23.3	25.4	20.6
Foreign exchange (gains) losses from financial products segment	(16.6)	13.3	1.7	138.5	159.4	(189.8)	91.3
Net interest expense from financial products segment	127.4	239.3	794.3	989.2	768.7	491.6	267.6
Income (loss) before provision (benefit) for income taxes and equity in losses of unconsolidated subsidiaries	165.3	(685.4)	(9,315.5)	(181.9)	522.8	465.1	580.5
Provision (benefit) for income taxes	153.7	(263.8)	(872.4)	(116.2)	150.7	126.9	110.6
Net income (loss)	11.5	(421.6)	(8,443.2)	(65.7)	372.2	337.3	466.0
Less: noncontrolling interest					(52.0)	11.2	87.4
Net income (loss) of FSAH and subsidiaries	$ 11.5	$ (421.6)	$ (8,443.2)	$ (65.7)	$ 424.2	$ 326.1	$ 378.6
Balance Sheet Data (at end of period)							
Assets							
Cash	$ 55.3	$ 45.0	$ 108.7	$ 26.6	$ 32.5	$ 43.6	$ 22.6
General investment portfolio	5,872.3	5,684.2	5,935.5	5,191.9	4,872.4	4,595.5	4,281.8
Financial products segment investment portfolio	805.0	16,157.8	10,302.0	19,213.2	17,537.1	14,002.0	9,546.7
Assets acquired in refinancing transactions	182.8	213.5	166.6	229.3	337.9	467.9	749.2
Note receivable from affiliate(2)	13,576.3						
Total assets	24,891.3	27,203.1	20,258.1	28,318.7	25,764.7	22,000.1	17,079.0
Liabilities and shareholders' equity							
Deferred premium revenue	3,991.4	3,002.7	3,044.7	2,870.6	2,621.5	2,339.0	2,063.8
Losses and loss adjustment expense reserve	2,017.7	526.3	1,779.0	274.6	228.1	205.7	179.9
Financial products segment debt	14,180.3	20,888.9	16,432.3	21,400.2	18,349.7	14,947.1	10,444.1
Notes payable	730.0	730.0	730.0	730.0	730.0	430.0	430.0
Total liabilities	22,609.3	27,158.5	25,442.3	26,740.6	23,042.1	18,996.8	14,289.1
Total shareholders' equity (deficit) of FSA Holdings and subsidiaries	2,281.7	44.3	(5,184.5)	1,577.8	2,722.3	2,822.9	2,611.3
Noncontrolling interest	0.3	0.3	0.3	0.3	0.3	180.4	178.6

Shareholders' equity (deficit)	2,282.0	44.6	(5,184.2)	1,578.1	2,722.6	3,003.3	2,789.9

(1) In May 2008, the Financial Accounting Standards Board issued FAS 163, which requires that FSAH recognize a claim liability prior to an event of default (insured event) when there is evidence that credit deterioration has occurred in an insured financial obligation. FAS 163 also clarifies the methodology to be used for financial guaranty premium revenue recognition and claim liability measurement, as well as requiring expanded disclosures about risk management activities. The provisions of FAS 163 related to premium revenue recognition and claim liability measurement are effective for financial statements issued for fiscal years beginning after December 15, 2008, and all interim periods within those fiscal years. Earlier application of these provisions was not permitted. As a result of the adoption of FAS 163, net premiums earned and loss and loss adjustment expenses are not comparable between 2008 and 2009 periods. The expanded risk management activity disclosure provisions of FAS 163 were effective for the third quarter of 2008 and were included in FSAH's consolidated financial statements for those periods. FAS 163 will be applied to all existing and future financial guaranty insurance contracts written

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by FSAH. FAS 163 mandates the accounting changes proscribed by the statement be recognized by FSAH as a cumulative effect adjustment to retained earnings as of January 1, 2009. The impact of adopting FAS 163 on FSAH's balance sheet was included in FSAH's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 which is incorporated herein by reference.

(2)

The GIC Issuers, unlike FSAM, remain part of FSAH's consolidated financial statements, which means that the GICs issued to third parties and the GIC Issuers' note receivable from FSAM of $13.6 billion (the "Note Receivable from Affiliate") represent the liabilities and assets of the GIC business in FSAH's consolidated financial statements. The Note Receivable from Affiliate is carried at net realizable value, which is periodically evaluated for impairment. Prior to February 24, 2009, the Note Receivable from Affiliate was eliminated in consolidation.

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Summary Unaudited Pro Forma Combined Condensed Financial Information

The following summary unaudited pro forma combined condensed financial information of Assured has been prepared to assist you in your analysis of the financial effects of the Acquisition using the historical consolidated financial statements of Assured and FSAH.

This information is only a summary. You should read the unaudited pro forma combined condensed financial statements and other information and the accompanying notes that are included elsewhere in this prospectus supplement. You should also read the historical information and related notes of Assured and FSAH that are incorporated by reference into this prospectus supplement.

The following tables set forth summary unaudited pro forma combined condensed financial information of Assured giving effect to the Acquisition, using the acquisition method of accounting, as if the Acquisition had occurred on the dates indicated and after giving effect to the pro forma adjustments. The unaudited pro forma combined condensed balance sheet data as of March 31, 2009 give effect to the Acquisition as if the Acquisition had occurred on March 31, 2009. The unaudited pro forma combined condensed statements of operations data for the year ended December 31, 2008 and the three months ended March 31, 2009 give effect to the Acquisition as if the Acquisition had occurred on January 1, 2008. We are providing the unaudited pro forma combined condensed financial data for informational purposes only. It does not necessarily represent or indicate what the financial position and results of operations of Assured would actually have been had the Acquisition and other pro forma adjustments in fact occurred at the dates indicated. It also does not necessarily represent or indicate the future financial position or results of operations Assured will achieve after the Acquisition.

The pro forma adjustments reflect the payment of $541.5 million in cash and issuance of 22,283,951 Assured common shares to Dexia Holdings. The pro forma adjustments assume funds for the $541.5 million cash payment were obtained from the issuance of an additional 26,863,667 Assured common shares to the public at a purchase price of $14.89 per share, the closing price of Assured's common shares on June 12, 2009, and the issuance of $150 million of Equity Units.

The pro forma financial information does not reflect revenue opportunities and cost savings that we expect to realize after the Acquisition. We cannot give you any assurance with respect to the estimated revenue opportunities and operating cost savings that are expected to be realized as a result of the Acquisition. The pro forma financial information also does not reflect nonrecurring charges relating to integration activities or exit costs that may be incurred by Assured or FSAH in connection with the Acquisition.

	As of and for the three months ended March 31, 2009	For the year ended December 31, 2008
	(dollars in thousands, except per share amounts)	
Statement of Operations Data:		
Net earned premiums	$ 263,632	$ 796,671
Net (loss) income	237,287	(1,072,802)
(Loss) earnings per share		
Basic	$ 1.68	$ (7.78)
Diluted	$ 1.68	$ (7.78)
Balance Sheet Data (at end of period):		
Total assets	$ 16,591,421	
Unearned premium reserves	7,465,338	
Reserves for losses and loss adjustment expenses	2,233,038	
Long-term debt	445,823	
Shareholders' equity	2,780,774	
Book value per share	$ 19.97	

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

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The Offering

Issuer	Assured Guaranty Ltd., a Bermuda company.
Securities Offered	Equity Units (or Equity Units if the underwriters exercise their overallotment option in full), each with a stated amount of $50, and consisting of either Corporate Units or Treasury Units as described below. The Equity Units offered will initially consist of Corporate Units (or Corporate Units if the underwriters exercise their overallotment option in full).
Use of Proceeds	We intend to use $363.8 million of the net proceeds of the Concurrent Common Share Offering to pay the cash purchase price for the Acquisition. We intend to use the remaining net proceeds from the Concurrent Common Share Offering and the net proceeds from this offering to pay cash in lieu of Assured common shares, including Excess Shares, that we would otherwise deliver as part of the purchase price for the Acquisition. See " Concurrent Offering of Common Shares" and "Use of Proceeds."
The Corporate Units	Each Corporate Unit consists of a purchase contract and, initially, a 1/20, or 5%, undivided beneficial ownership interest in $1,000 principal amount of Assured Guaranty US Holdings' senior notes due June 1, 2014, which we call the "notes." The notes will be issued in minimum denominations of $1,000 and integral multiples thereof, except in certain limited circumstances. The notes underlying your Corporate Units will be owned by you, but initially will be pledged to us through the collateral agent to secure your obligations under the related purchase contracts. If the notes are successfully remarketed during the period for early remarketing described in this prospectus supplement, or if a special event redemption occurs prior to June 1, 2012, the notes underlying the Corporate Units will be replaced by the Treasury portfolio described in this prospectus supplement, and the Treasury portfolio underlying the Corporate Units will then be pledged to us through the collateral agent to secure your obligations under the related purchase contract. Holders of Corporate Units will be entitled to receive, quarterly in arrears on March 1, June 1, September 1 and December 1 of each year, commencing on September 1, 2009, cash distributions consisting of their pro rata share of interest payments on the notes (or distributions on the Treasury portfolio if the notes have been replaced by the Treasury portfolio).
The Purchase Contracts	
Settlement Rate	Each purchase contract underlying an Equity Unit obligates the holder of the purchase contract to purchase,

and obligates us to sell, on June 1, 2012, which we refer to as the "purchase contract settlement date," for $50 in cash, a number of our newly issued common shares equal to the "settlement rate."

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The settlement rate will be calculated as follows:

- if the applicable market value (as defined below) of our common shares is equal to or greater than $, which we refer to as the "threshold appreciation price," the settlement rate will be of our common shares;

- if the applicable market value of our common shares is less than the threshold appreciation price but greater than $, which we refer to as the "reference price," the settlement rate will be a number of our common shares equal to $50 divided by the applicable market value; and

- if the applicable market value of our common shares is less than or equal to the reference price, the settlement rate will be of our common shares.

The "applicable market value" of our common shares means the average of the closing price per common share on each of the 20 consecutive trading days ending on the third trading day immediately preceding the purchase contract settlement date. The reference price is the public offering price of our common shares in the Concurrent Common Share Offering. The threshold appreciation price represents a % appreciation over the reference price. The reference price, threshold appreciation price and settlement rate are subject to adjustment as described in this prospectus supplement.

Treasury Units

A Treasury Unit is a unit created from a Corporate Unit and consists of a purchase contract and a 1/20, or 5%, undivided beneficial interest in a zero-coupon U.S. Treasury security with a principal amount of $1,000 that matures on May 31, 2012 (CUSIP No. 912820PR2), which we refer to as a "Treasury security." The Treasury security underlying the Treasury Unit will be owned by you, but will be pledged to us through the collateral agent to secure your obligations under the related purchase contract.

There will be no distributions in respect of the Treasury securities underlying the Treasury Units, but holders of the Treasury Units will continue to receive the scheduled quarterly interest payments on the notes that were released to them when they created the Treasury Units as long as they continue to hold the notes.

If, at the time the holder of a Corporate Unit wishes to substitute Treasury securities for the related notes, such Treasury securities have a yield that is less than zero, then, a Treasury Unit will instead be a unit created from a Corporate Unit and will consist of a purchase contract and a 1/20, or 5%, undivided beneficial interest in $1,000 cash. The cash that is a component of the Treasury Unit will be owned by you, but will be pledged to us through the collateral agent to secure your obligations under the related purchase contract.

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Creating Treasury Units and Recreating Corporate Units

Subject to certain exceptions described in this prospectus supplement, each holder of Corporate Units will have the right, at any time on or prior to the seventh business day immediately preceding the purchase contract settlement date, to substitute Treasury securities with the same total principal amount as the aggregate principal amount of the underlying notes held by the collateral agent. Because Treasury securities and the notes are issued in integral multiples of $1,000, holders of Corporate Units may make this substitution only in integral multiples of 20 Corporate Units. This substitution will create Treasury Units, and the notes will be released to the holder and be tradable separately from the Treasury Units.

In addition, subject to certain exceptions described in this prospectus supplement, each holder of Treasury Units will have the right, at any time on or prior to the seventh business day immediately preceding the purchase contract settlement date, to substitute notes having the same total principal amount as the aggregate principal amount of the related Treasury securities held by the collateral agent. Because Treasury securities and the notes are issued in integral multiples of $1,000, holders of Treasury Units may make these substitutions only in integral multiples of 20 Treasury Units. This substitution will recreate Corporate Units, and the applicable Treasury securities will be released to the holder and be separately tradable from the Corporate Units.

Early Settlement of the Purchase Contracts

You can settle a purchase contract for cash prior to the purchase contract settlement date, subject to certain exceptions and conditions described under "Description of the Purchase Contracts Early Settlement" in this prospectus supplement. If a purchase contract is settled early, the number of our common shares to be issued per purchase contract will be the stated amount of $50 divided by the threshold appreciation price, initially shares (subject to adjustment as described in this prospectus supplement).

In addition, upon the occurrence of a "fundamental change" as defined in this prospectus supplement, you will have the right, subject to certain exceptions and conditions described in this prospectus supplement, to accelerate and settle a purchase contract early at a "fundamental change settlement rate," which will depend on the stock price in such fundamental change and the date such fundamental change occurs, as described under "Description of the Purchase Contracts Early Settlement upon a Fundamental Change."

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	Holders of Corporate Units may settle early only in integral multiples of 20 Corporate Units. If the Treasury portfolio has replaced the notes underlying the Corporate Units, holders of the Corporate Units may settle early only in integral multiples of Corporate Units (or such other number of Corporate Units as may be determined by the remarketing agent upon a successful remarketing of notes if the reset effective date is not a regular quarterly interest payment date). Holders of Treasury Units may settle early only in integral multiples of 20 Treasury Units.
Satisfying Your Payment Obligations under the Purchase Contracts	As a holder of Corporate Units or Treasury Units, you may satisfy your obligations under the purchase contracts as follows: through early settlement of your purchase contracts in the manner described in this prospectus supplement; unless the Treasury portfolio has replaced the notes underlying the Corporate Units, through separate cash settlement prior to the final three-business day remarketing period described below in the case of holders of Corporate Units, in the manner described in this prospectus supplement; through the automatic application of the proceeds of the Treasury securities, in the case of a Treasury Unit, or proceeds from the Treasury portfolio if it has replaced the notes underlying the Corporate Units; through exercise of the put right as described below if no successful remarketing has occurred and none of the above events has taken place; or without any further action, upon the termination of the purchase contracts as a result of a bankruptcy, insolvency or reorganization involving Assured Guaranty (and not, for the avoidance of doubt, Assured Guaranty's subsidiaries).
	If the Treasury securities you substitute for notes or your applicable ownership interest in the Treasury portfolio, as the case may be, produce proceeds at maturity that are less than the aggregate purchase price of the common shares to be issued pursuant to the purchase contracts underlying your Equity Units, you will be obligated to pay the amount of the deficiency. See "Description of the Purchase Contracts Deficiencies."
The Notes	
Issuer	Assured Guaranty US Holdings Inc.
Guarantor	Assured Guaranty Ltd.

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Remarketing the Notes

Assured Guaranty US Holdings may, at its option, elect to remarket the notes underlying the Corporate Units on any remarketing date occurring during the period (which we call the "period for early remarketing") beginning on December 1, 2011 and ending on May 1, 2012, unless the notes have been previously redeemed in connection with a special event redemption or have been previously successfully remarketed. Any remarketing during this period will occur during one or more three-business day remarketing periods that consist of three sequential possible remarketing dates selected by Assured Guaranty US Holdings and will include the notes underlying the Corporate Units and other notes of holders that have elected to include those notes in the remarketing, as described below.

On each remarketing date occurring during the period for early remarketing, the remarketing agent will use its reasonable efforts to obtain a price for the notes remarketed equal to approximately 100% of the purchase price for the remarketing Treasury portfolio described in this prospectus supplement plus the applicable remarketing fee. If the remarketing is successful, interest on the notes will be reset to the "reset rate" described below and, except with respect to notes that are not a part of Corporate Units the holders of which have elected to have their separate notes remarketed (as described below), a portion of the proceeds from the remarketing equal to the remarketing Treasury portfolio purchase price will be applied to purchase the remarketing Treasury portfolio. This Treasury portfolio will be substituted for the notes underlying the Corporate Units and will be pledged to us through the collateral agent to secure the Corporate Unit holders' obligations under the purchase contracts. When paid at maturity, an amount of the Treasury portfolio equal to the principal amount of the substituted notes will automatically be applied to offset the Corporate Unit holders' obligations to purchase our common shares under the purchase contracts on June 1, 2012. See "Description of the Purchase Contracts Remarketing" in this prospectus supplement.

If U.S. Treasury securities (or principal or interest strips thereof) that are to be included in a remarketing Treasury portfolio have a yield that is less than zero, then the cash proceeds from the remarketing (and not the U.S. Treasury securities) will be substituted for the notes that are components of the Corporate Units and will be pledged to us through the collateral agent to secure the Corporate Unit holders' obligation to purchase our common shares under the purchase contracts.

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If none of the remarketings occurring during a three-business day remarketing period results in a successful remarketing, the interest rate on the notes will not be reset, the notes will continue to be a component of Corporate Units and subsequent remarketings may, subject to the next paragraph, be attempted during one or more subsequent three-business day remarketing periods as described above.

You may notify the purchase contract agent on or prior to the seventh business day immediately preceding June 1, 2012 of your intention to pay cash in order to satisfy your obligations under the related purchase contracts, unless the notes have been successfully remarketed during the period for early remarketing. If you have not given such notification and the notes have not been successfully remarketed during the period for early remarketing, the notes will be remarketed during a three-business day remarketing period beginning on, and including, the fifth business day, and ending on, and including, the third business day, immediately preceding June 1, 2012. This three-business day remarketing period is referred to as the "final three-business day remarketing period" and we refer to the third business day immediately preceding June 1, 2012 as the "final remarketing date." In this remarketing, the remarketing agent will use its reasonable efforts to obtain a price for the notes equal to approximately 100% of the aggregate principal amount of the notes being remarketed plus the applicable remarketing fee. If the remarketing is successful, interest on the notes will be reset to the "reset rate" described below and, except for notes that are not part of Corporate Units whose holders have elected to have their separate notes remarketed, a portion of the proceeds from the remarketing equal to the aggregate principal amount of the notes being remarketed will automatically be applied to offset in full the Corporate Unit holders' obligations to purchase our common shares under the related purchase contracts on the purchase contract settlement date.

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	If the notes have not been successfully remarketed on or prior to the final remarketing date, the interest rate on the notes will not be reset and holders of all notes will have the right to put their notes to us on the purchase contract settlement date at a put price equal to $1,000 per note ($50 per applicable ownership interest) plus accrued and unpaid interest. A holder of a note underlying a Corporate Unit will be deemed to have automatically exercised this put right unless such holder provides a written notice of an intention to settle the related purchase contract with cash as described in this prospectus supplement. Unless a Corporate Unit holder has settled the related purchase contracts with separate cash, such holder will be deemed to have elected to apply a portion of the proceeds of the put price equal to the principal amount of the notes underlying such Corporate Units against such holder's obligations to us under the related purchase contracts, thereby satisfying such obligations in full, and we will deliver to such holder our common shares pursuant to the related purchase contracts.
Election Not to Participate in the Remarketing	You may elect not to participate in any remarketing and to retain the notes underlying your Corporate Units by: creating Treasury Units as described above; or settling purchase contracts early as described above; or in the case of the final three-business day remarketing period, notifying the purchase contract agent of your intention to pay cash to satisfy your obligation under the related purchase contracts on or prior to the seventh business day before the purchase contract settlement date and delivering the cash payment required under the purchase contracts to the collateral agent on or prior to the sixth business day before the purchase contract settlement date. Whether or not you participate in the remarketing, upon a successful remarketing your notes will become subject to the modified provisions described under "Description of the Purchase Contracts Remarketing Early Remarketing."
Additional Notes	Assured Guaranty US Holdings Inc. may, without notice to or the consent of the then existing holders of the notes, issue additional notes ranking equally and ratably with the notes in all respects except for the issue price, issue date and the payment of interest accruing prior to the issue date of the additional notes or the first payment of interest following the issue date of the additional notes. The additional notes will be consolidated and form a single series with the notes and will have the same terms as to status, redemption or otherwise as the notes offered hereby.

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Interest	Interest on the notes will be payable, initially, quarterly in arrears at the rate of % per annum of the principal amount of the notes to, but excluding, the "reset effective date." The "reset effective date" will be: in the case of a remarketing during the period for early remarketing, the third business day following the date on which a remarketing of the notes is successfully completed, unless the remarketing is successful within five business days of the next succeeding interest payment date in which case such interest payment date will be the reset effective date; or in the case of a remarketing during the final three-business day remarketing period, the purchase contract settlement date. Following a successful remarketing, the notes will bear interest at the "reset rate" described below from the reset effective date to, but excluding, June 1, 2014 or, if we elected to modify the stated maturity to a later date in connection with the successful remarketing, such later maturity date. If there is not a successful remarketing of the notes, the interest rate will not be reset and the notes will continue to bear interest at the initial interest rate, payable quarterly in arrears. Prior to the reset effective date, interest payments will be payable quarterly in arrears on each March 1, June 1, September 1 and December 1, commencing on September 1, 2009. From the reset effective date, interest payments on all notes may be paid semi-annually in arrears on interest payment dates to be selected by Assured Guaranty US Holdings Inc. If no successful remarketing of the notes occurs, interest payments on all notes will remain payable quarterly in arrears on the original quarterly interest payment dates.
The Reset Rate	Unless a special event redemption has occurred, the reset rate on the notes will become effective on the reset effective date. The reset rate will be the interest rate determined by the remarketing agent as the rate the notes should bear in order for the notes underlying the Corporate Units to have an approximate aggregate market value on the remarketing date of: 100% of the Treasury portfolio purchase price plus the applicable remarketing fee, in the case of a remarketing prior to the final three-business day remarketing period; or 100% of the aggregate principal amount of the notes being remarketed plus the applicable remarketing fee, in the case of a remarketing during the final three-business day remarketing period. The interest rate on the notes will not be reset if there is

not a successful remarketing. Any reset rate may not exceed the maximum rate, if any, permitted by applicable law.

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Maturity	The initial maturity date of the notes will be June 1, 2014. Upon a successful remarketing of the notes, Assured Guaranty US Holdings may elect, without the consent of any of the holders, to modify the notes' stated maturity to any date later than June 1, 2014 and earlier than June 1, 2039. Such later maturity date, if any, will be selected on the remarketing date and will become effective on the reset effective date. If the notes are not successfully remarketed prior to June 1, 2012, the stated maturity of the notes will remain as June 1, 2014.
Redemption	The notes are redeemable at Assured Guaranty US Holdings' option, in whole but not in part, upon the occurrence and continuation of a tax event or an accounting event, as such terms are defined in this prospectus supplement (collectively, a "special event"), at any time prior to the earlier of the date of a successful remarketing and the purchase contract settlement date, as described in this prospectus supplement under "Description of the Notes Optional Redemption Special Event." Following any such redemption of the notes, which we refer to as a "special event redemption," the redemption price for the notes that underlie the Corporate Units will be paid to the collateral agent who will purchase the special event Treasury portfolio and remit any remaining proceeds to the holders. Thereafter, the applicable ownership interests in the special event Treasury portfolio will replace the applicable ownership interests in the notes as a component of the Corporate Units and will be pledged to us through the collateral agent. Holders of the notes that do not underlie Corporate Units will receive the redemption price paid in such special event redemption in full. Other than in connection with a special event, the notes may not be redeemed by Assured Guaranty US Holdings prior to June 1, 2014.
Ranking	The notes will rank equally with all of Assured Guaranty US Holdings' existing and future unsecured and unsubordinated obligations both before and after the remarketing. See "Description of the Assured Guaranty US Holdings Debt Securities and Assured Guaranty Guarantee" in the accompanying prospectus.

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Assured Guaranty Guarantee	We will fully and unconditionally guarantee all payments on the notes. The guarantee will be our unsecured obligation and will rank equally with all of our other unsecured and unsubordinated indebtedness. Since we are a holding company, our rights and the rights of our creditors, including you as a holder of the notes who would be a creditor of ours by virtue of our guarantee of the notes, and shareholders to participate in any distribution of the assets of any subsidiary upon the subsidiary's liquidation or reorganization or otherwise would be subject to prior claims of the subsidiary's creditors, except to the extent that we may be a creditor of the subsidiary. The right of our creditors, including you, to participate in the distribution of the stock owned by us in some of our subsidiaries, including our insurance subsidiaries, may also be subject to approval by insurance regulatory authorities having jurisdiction over the subsidiaries.
Participation in a Remarketing for Holders of Separate Notes	Holders of notes that are not part of the Corporate Units may elect, in the manner described in this prospectus supplement, to have their notes remarketed by the remarketing agent along with the notes included in the Corporate Units. See "Description of the Notes Optional Remarketing." Such holders may also participate in any remarketing by recreating Corporate Units from their Treasury Units at any time prior to the first day of the restricted period described under "Description of the Equity Units Creating Treasury Units." Whether or not you participate in the remarketing, upon a successful remarketing your notes will become subject to the modified provisions described under "Description of the Purchase Contracts Remarketing Early Remarketing."
Put Right for Holders of Separate Notes	Holders of notes that are not part of a Corporate Unit may exercise their put right upon a failed final remarketing by providing written notice at least two business days prior to the purchase contract settlement date. The put price will be paid to such holder on the purchase contract settlement date.
U.S. Federal Income Tax Consequences	For a discussion of the material U.S. Federal income tax consequences relating to an investment in the Equity Units, see "Material Tax Considerations U.S. Federal Income Tax Consequences" below.
Risk Factors	You should carefully consider all of the information set forth and incorporated by reference in this prospectus supplement and the accompanying prospectus and, in particular, you should evaluate the specific factors set forth under "Risk Factors" beginning on page S-32 of this prospectus supplement before deciding whether to invest in the Equity Units.

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Concurrent Offering of Common Shares	Concurrently with this offering, we are offering (the "Concurrent Common Share Offering") common shares (or common shares if the underwriters exercise their overallotment option in full), in a public offering. We estimate that the proceeds from the Concurrent Common Share Offering will be approximately $ million ($ million if the underwriters exercise their overallotment option in full), after deducting the underwriting discounts and commissions and estimated expenses of the offering. However, amounts sold in each offering may increase or decrease based on market conditions relating to the particular securities. The Concurrent Common Share Offering will be effected pursuant to a separate prospectus supplement. This prospectus supplement shall not be deemed an offer to sell or a solicitation of an offer to buy any of the common shares in the Concurrent Common Share Offering. We cannot assure you that the Concurrent Common Share Offering will be completed or, if completed, on what terms it may be completed. The Concurrent Common Share Offering and this offering are not contingent upon each other.

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THE OFFERING EXPLANATORY DIAGRAMS

The following diagrams demonstrate some of the key features of the purchase contracts, applicable ownership interests in the notes, Corporate Units and Treasury Units, and the transformation of Corporate Units into Treasury Units and notes.

The following diagrams assume that the notes are successfully remarketed during the final three-business day remarketing period and the interest rate on the notes is reset on the purchase contract settlement date.

Purchase Contract

Corporate Units and Treasury Units both include a purchase contract under which the holder agrees to purchase our common shares on the purchase contract settlement date.

Notes:

(1) If the applicable market value of our common shares is less than or equal to the reference price of $ (subject to adjustment), the number of our common shares to be delivered to a holder of an Equity Unit will be calculated by dividing the stated amount of $50 by the reference price.

(2) If the applicable market value of our common shares is between the reference price and the threshold appreciation price of $ (subject to adjustment), the number of our common shares to be delivered to a holder of an Equity Unit will be

calculated by dividing the stated amount of $50 by the applicable market value.

(3) If the applicable market value of our common shares is greater than or equal to the threshold appreciation price, the number of our common shares to be delivered to a holder of an Equity Unit will be calculated by dividing the stated amount of $50 by the threshold appreciation price of $ (subject to adjustment).

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(4)
The reference price is the public offering price of our common shares in the Concurrent Common Share Offering.

(5)
The threshold appreciation price represents a % appreciation over the reference price.

(6)
Expressed as a percentage of the reference price. The "applicable market value" means the average of the closing price per common share on each of the 20 consecutive trading days ending on the third trading day immediately preceding the purchase contract settlement date, subject to anti-dilution adjustments and certain other modifications.

Corporate Units

A Corporate Unit consists of two components as described below:

The holder of a Corporate Unit owns the 1/20 undivided beneficial ownership interest in the note but will pledge it to us to secure the holder's obligation under the related purchase contract.

The foregoing analysis assumes the notes are successfully remarketed during the final three-business day remarketing period. If the remarketing were to be successful prior to such period, following the remarketing of the notes, the applicable ownership interests in the Treasury portfolio will replace the applicable ownership interest in notes as a component of the Corporate Unit and the reset rate would be effective three business days following the successful remarketing, unless the remarketing is successful within five business days of the next succeeding interest payment date in which case the reset rate would be effective on such interest payment date.

If the Treasury portfolio has replaced the notes as a result of a special event redemption prior to June 1, 2012, the applicable ownership interest in the Treasury portfolio will also replace the applicable ownership interest in the notes as a component of the Corporate Unit.

Notes:

(1) Each holder will own a 1/20, or 5%, undivided beneficial ownership interest in, and will be entitled to a corresponding portion of each interest payment payable in respect of, a $1,000 principal amount note.

(2) Notes will be issued in minimum denominations of $1,000 and integral multiples thereof.

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Treasury Units

The holder owns the 1/20 ownership interest in the Treasury security that forms a part of the Treasury Unit but will pledge it to us through the collateral agent to secure the holder's obligations under the related purchase contract. Unless the purchase contract is terminated as a result of our bankruptcy, insolvency or reorganization or the holder recreates a Corporate Unit, the cash due on maturity of the Treasury security will be used to satisfy the holder's obligation under the related purchase contract.

Treasury Units can only be created with integral multiples of 20 Corporate Units.

The Notes

The notes have the terms described below[(1)]:

Note:

(1) Treasury Units may only be created in integral multiples of 20. As a result, the creation of 20 Treasury Units will release a $1,000 principal amount note held by the collateral agent.

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Transforming Corporate Units into Treasury Units and Notes

Because the notes and the Treasury securities are issued in minimum denominations of $1,000, holders of Corporate Units may only create Treasury Units in integral multiples of 20 Corporate Units.

To create 20 Treasury Units, a holder separates 20 Corporate Units into their two components 20 purchase contracts and a note and then combines the purchase contracts with a Treasury security that matures on May 31, 2012 (CUSIP No. 912820PR2).

The note, which is no longer a component of Corporate Units and has a principal amount of $1,000, is released to the holder and is tradable as a separate security.

A holder owns the Treasury security that forms a part of the Treasury Units but will pledge it to us through the collateral agent to secure its obligations under the related purchase contract.

The Treasury security together with the 20 purchase contracts constitute 20 Treasury Units.

Following the successful remarketing of the notes prior to the final three-business day remarketing period or a special event redemption, the applicable ownership interests in the Treasury portfolio, rather than the note, will be released to the holder upon the transformation of Corporate Units into Treasury Units and will be tradable separately.

Prior to a successful remarketing of the notes or a special event redemption, the holder can also transform 20 Treasury Units and a $1,000 principal note into 20 Corporate Units. Following that transformation, the Treasury security, which will no longer be a component of the Treasury Unit, will be released to the holder and will be tradable as a separate security.

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If the applicable ownership interest in the Treasury portfolio has replaced the notes underlying the Corporate Units, the transformation of Corporate Units into Treasury Units and the transformation of Treasury Units into Corporate Units can only be made in certain larger minimum amounts, as more fully described in this prospectus supplement.

Notes:

(1) Each holder will own a 1/20, or 5%, undivided beneficial ownership interest in, and will be entitled to a corresponding portion of each interest payment payable in respect of, a $1,000 principal amount note.

(2) Notes will be issued in minimum denominations of $1,000 and integral multiples thereof.

(3) In connection with the successful remarketing of the notes, AGUSH may elect to modify the stated maturity of the notes to any date on or after June 1, 2014 and earlier than June 1, 2039.

Illustrative Remarketing Timelines

The following timeline is for illustrative purposes only and is not definitive. For purposes of this timeline, we assume that Assured Guaranty US Holdings has elected to remarket the aggregate principal amount of notes underlying the Corporate Units on the first day (which we refer to as "T" in the timeline) of a hypothetical three-business day remarketing period during the period for early remarketing beginning on, and including, December 1, 2011 and ending on, and including, May 1, 2012. This example assumes that the notes have not been previously redeemed in connection with a special event redemption or been previously successfully remarketed.

Date	Event
December 1, 2011	First business day of the period for early remarketing.
T-16 business days (10 business days prior to the remarketing announcement date)	Notice to Holders AGUSH will request, not later than 10 business days prior to the remarketing announcement date, that the depositary notify its participants holding notes, Corporate Units and Treasury Units of the remarketing.
T-6 business days (6 business days prior to the first day of the three-business day remarketing period)	Remarketing Announcement Date AGUSH will announce any remarketing of the notes on such business day by causing a remarketing announcement to be published by making a timely release to any appropriate news agency, including Bloomberg Business News and the Dow Jones News Services.
T-5 business days (5 business days prior to the first day of the three-business day remarketing period)	Beginning of Optional Remarketing Election Period Holders of notes that do not underlie Corporate Units may elect to have their notes remarketed in the same manner and at the same price as notes constituting a part of Corporate Units by delivering their notes along with a notice of this election to the custodial agent.

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Date	Event
T-2 business days (2 business days prior to the first day of the three-business day remarketing period)	End of Optional Remarketing Election Period This is the last day for holders of notes that do not underlie Corporate Units to elect to have their notes remarketed in the same manner and at the same price as notes constituting a part of Corporate Units by delivering their notes along with a notice of this election to the custodial agent.
T-1 business day (1 business day prior to the first day of the three-business day remarketing period)	This is the last day prior to the three-business day remarketing period: to create Treasury Units from Corporate Units and recreate Corporate Units from Treasury Units; and for holders of Corporate Units to settle the related purchase contracts early. Holders of Corporate Units will once again be able to make any of these elections on the business day following the last remarketing day of the three-business day remarketing period if the remarketing is unsuccessful.
T to T+2 business days (3 business days beginning on, and including, the first day of the remarketing period)	Three-Business Day Remarketing Period if a failed remarketing occurs, we will cause a notice of the unsuccessful remarketing of notes to be published on the business day following the last of the three remarketing dates comprising the three-business day remarketing period. if a successful remarketing occurs, (i) the remarketing agent will purchase the Treasury portfolio and (ii) we will request the depositary to notify its participants holding notes of the maturity date, reset rate, interest payment dates, and any other modified terms, established for the notes during the remarketing on the business day following the remarketing date on which the notes were successfully remarketed. Reset Effective Date The reset rate on the notes, the modified maturity date, if any, and the modified redemption rights, if any, will be determined on the date that the remarketing agent is able to successfully remarket the notes, and will become effective, if the remarketing is successful, on the reset effective date, which will be the third business day following the date on which a remarketing of the notes is successfully completed, unless the remarketing is successful within 5 business days of an interest payment date in which case such interest payment date will be the reset effective date.

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The following timeline is for illustrative purposes and is not definitive. For purposes of this timeline, we have assumed that there was no successful remarketing during the period for early remarketing and that the notes have not been previously redeemed in connection with a special event redemption.

Date	Event
No later than May 7, 2012 (10 business days prior to the final remarketing announcement date)	Notice to Holders AGUSH will request, not later than 10 business days prior to the final remarketing announcement date, that the depositary notify its participants holding notes, Corporate Units and Treasury Units of the remarketing.
May 17, 2012 (5 business days prior to the first day of the final three-business day remarketing period)	Beginning of Final Remarketing Election Period Holders of notes that do not underlie Corporate Units may elect to have their notes remarketed in the same manner and at the same price as notes constituting a part of Corporate Units by delivering their notes along with a notice of this election to the custodial agent.
May 21, 2012 (3 business days prior to the first business day of the final remarketing period)	Final Remarketing Announcement Date We will announce the remarketing to occur during the final three-business day remarketing period on such day by causing a remarketing announcement to be published by making a timely release to any appropriate news agency, including Bloomberg Business News and the Dow Jones News Services.
May 22, 2012 (2 business days prior to the first day of the final three-business day remarketing period and 7 business days immediately preceding June 1, 2012)	End of Final Remarketing Election Period This is the last day for holders of notes that do not underlie Corporate Units to elect to have their notes remarketed in the same manner and at the same price as notes constituting a part of Corporate Units by delivering their notes along with a notice of this election to the custodial agent. Notice to Settle With Cash A holder of a Corporate Unit wishing to settle the related purchase contract with separate cash must notify the purchase contract agent by presenting and surrendering the Corporate Unit certificate evidencing the Corporate Unit at the offices of the purchase contract agent with the form of "Notice to Settle by Separate Cash" on the reverse side of the certificate completed and executed as indicated on or prior to 5:00 p.m., New York City time, on this day.

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Date	Event
	This is also the last day prior to the final three-business day remarketing period: to create Treasury Units from Corporate Units and recreate Corporate Units from Treasury Units; and for holders of Corporate Units or Treasury Units to settle the related purchase contracts early.
May 23, 2012 (1 business day immediately preceding the final three-business day remarketing period and six business days immediately preceding June 1, 2012)	This is the last day prior to the final three-business day remarketing period for holders of Corporate Units who have elected to settle the related purchase contracts with separate cash to deliver the required cash payment to the collateral agent on or prior to 11:00 a.m., New York City time on such day.
May 24, 2012 to May 29, 2012 (final remarketing period)	Final Three-Business Day Remarketing Period We will attempt a final remarketing beginning on, and including, the fifth business day, and ending on, and including, the third business day, immediately preceding the purchase contract settlement date. If a successful remarketing does not occur during the final three-business day remarketing period, we will cause a notice of the unsuccessful remarketing attempt of notes to be published not later than 9:00 a.m., New York City time, on the business day following the last of the three remarketing dates comprising the final three-business day remarketing period.
June 1, 2012 (the purchase contract settlement date)	Reset Effective Date The reset rate on the notes, the modified maturity date, if any, and the modified redemption rights, if any, will be determined on the date that the remarketing agent is able to successfully remarket the notes, and will become effective, if the final remarketing is successful, on the reset effective date, which will be the purchase contract settlement date.

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RISK FACTORS

You should carefully consider the following risk factors, as well as the other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus, before making an investment decision. The factors described below represent our principal risk factors.

Risks Relating to the Acquisition

One or more of the conditions to our or Dexia Holdings' obligation to complete the Acquisition may not be satisfied and the Acquisition may not be completed.

Our and Dexia Holdings' obligations to complete the Acquisition are subject to a number of conditions specified in the Purchase Agreement. See "Description of the Acquisition Closing." Among these conditions is the requirement that we shall have received in writing or some other manner reasonably satisfactory to us from each of Fitch, Moody's and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") a statement indicating that the consummation of the transactions contemplated by the Purchase Agreement will not result in a downgrade of AGC, AG Re and AG UK and that Dexia Holdings shall have received in writing or some other manner reasonably satisfactory to it from each of such rating agencies a statement indicating that the consummation of the transactions contemplated by the Purchase Agreement will not result in a downgrade of FSA. All of the closing conditions (other than those conditions that by their nature are to be satisfied at the closing) have been met or waived. However, if Fitch, Moody's or S&P were to withdraw its statement regarding the effect of the Acquisition on AGC, AG UK and AG Re, or on FSA, we or Dexia, as the case may be, would not be required to complete the Acquisition. In addition, certain conditions to the completion of the closing of the Acquisition are to be met at the closing date, including the absence of any governmental or judicial action prohibiting or making illegal the completion of the Acquisition and the accuracy of our representations and warranties in the Purchase Agreement. While we are not currently aware of any conditions to the closing of the Acquisition that would not be met, some of the conditions are outside of our control. In the event one of the conditions to our or Dexia Holdings' obligation to close the Acquisition is not met, we or Dexia Holdings might not complete the Acquisition. In such event, we would not obtain the benefits of the Acquisition.

Additionally, if the Acquisition is not completed for any reason, the price of our common shares may decline to the extent that (i) the current market price reflects a market assumption that the Acquisition will be completed and that the related benefits and synergies will be realized, (ii) the market perceives that the Acquisition was not consummated due to an adverse change in our business, or (iii) investors believe that we cannot compete in the marketplace as effectively without the Acquisition or otherwise remain uncertain about our future prospects in the absence of the Acquisition. Also, if the Acquisition does not occur, we may not be able to efficiently use the proceeds from this offering.

Loss reserve estimates are subject to uncertainties and loss reserves may not be adequate to cover potential paid claims.

The financial guarantees issued by Assured and FSA insure the financial performance of the obligations guaranteed over an extended period of time, in some cases over 30 years, under policies that Assured and FSA have, in most circumstances, no right to cancel. The Acquisition will increase our net par outstanding from approximately $237.2 billion to approximately $654.5 billion as of March 31, 2009 on a combined pro-forma basis excluding FSAH's Financial Products business. As a result of the lack of statistical paid loss data due to the low level of paid claims in our financial guaranty business and in the financial guaranty industry in general, particularly, until recently, in the structured asset-backed area, we do not use traditional actuarial approaches to determine loss reserves. The establishment of the appropriate level of loss reserves is an inherently subjective process involving

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numerous estimates, assumptions and judgments by management, using both internal and external data sources with regard to frequency and severity of loss. Actual losses will ultimately depend on events or transaction performance that will occur in the future. Therefore, we cannot assure you that current estimates of probable and estimable losses reflect the actual losses that we may ultimately incur or that the methodologies we and FSAH use to establish reserves in general or for any specific obligations have been the same historically or that they similar to methodologies employed by our competitors, counterparties or other market participants. Actual paid claims could exceed our estimate and could significantly exceed our loss reserves, which may result in adverse effects on our financial condition, ratings and ability to raise needed capital.

We will have exposure through financial guaranty insurance policies to FSAH's Financial Products business, which we are not acquiring.

FSAH, through the Financial Products Companies, offered FSA-insured GICs and other investment agreements, including MTNs. In connection with the Acquisition, FSAH will transfer to Dexia Holdings, or any of its subsidiaries, the ownership interests in the Financial Products Companies that it holds. Even though FSAH will no longer own the Financial Products Companies after the Acquisition, FSA's guarantees of the GICs and MTNs and other guarantees related to FSA's MTN and Leveraged Tax Lease Businesses generally will remain in place. While Dexia and/or certain of its affiliates and FSAH have entered into and are expected to enter into, at closing, a number of agreements pursuant to which Dexia and certain of its affiliates will assume the credit and liquidity risks associated with FSAH's former Financial Products business, FSA may still be subject to certain of these risks (as further described below). To the extent FSA is required to pay any amounts on financial products written by the Financial Products Companies, FSA will be subject to the risk that it will not receive the guarantee payment from Dexia and/or its affiliates or otherwise receive funds from Dexia or the Belgian State and/or French State before it is required to make the payment under its financial guarantee policies or that it will not receive the guarantee payment at all. See "Description of the Acquisition Financial Products Agreements."

We will have substantial credit and liquidity exposure to Dexia and the Belgian and French states.

Dexia and its affiliates have entered into and are expected to enter into, at closing, a number of agreements pursuant to which Dexia and/or certain of its affiliates will guarantee certain amounts, lend certain amounts or post liquid collateral to or in respect of FSAH's former Financial Products business. In addition, Dexia has agreed (directly or through an affiliate) to provide a liquidity facility to FSA in an amount not to exceed $1 billion for the purpose of covering the liquidity risk arising out of claims payable in respect of "strip coverages" included in FSAH's leveraged tax lease business. See "Description of the Acquisition Financial Products Agreements." While these various agreements, are intended to shield Assured from paying any amounts in respect of the liabilities of the Financial Products business, Assured will remain subject to the risk that Dexia and/or various affiliates, and even the Belgian State and/or the French State, may not make such amounts or securities available (a) on a timely basis, which is referred to as "liquidity risk," or (b) at all, which is referred to as "credit risk," because of the risk of default. Even if Dexia and its affiliates and/or the Belgian State or French State have sufficient assets to pay all amounts when due, concerns regarding Dexia's or such States' financial condition could cause one or more rating agencies to view negatively the ability of Dexia and its affiliates or such States to perform under their various agreements and could negatively affect FSA's ratings.

Dexia and FSAH have entered into and are entering into a number of agreements pursuant to which Dexia and/or certain of its affiliates will guarantee the assets and liabilities of the GIC Issuers and FSAM and its subsidiary for the benefit of FSA. Certain of these obligations also benefit from a guarantee from the Belgian and French States. See "Description of the Acquisition Financial Products

Agreements." As of March 31, 2009, the liabilities of the GIC Issuers and FSAM and its subsidiary exceeded their assets by approximately $8.7 billion (before any tax effects). To the extent FSA is required to pay any amounts in respect of the liabilities of these companies, FSA will be subject to the risk that it will not receive the guarantee payment from Dexia, Dexia's affiliates, the Belgian State and/or the French State before it is required to make the payment under its financial guarantee policy or that it will not receive the guarantee payment at all.

In addition, if a Dexia event of default were to occur, we may be required to direct the administration and management of the assets and liabilities of the GIC subsidiaries and could be delayed in our ability to utilize the collateral posted by Dexia and its affiliate under the credit support annexes. See "Description of the Acquisition Financial Products Agreements." Any delay in the GIC subsidiaries paying amounts due and payable in connection with the GIC business related to our assuming the obligation to direct the administration and management of the GIC subsidiaries' assets and liabilities or related to a delay in our access to the collateral posted by Dexia and its affiliate could require FSA to pay claims, and in some cases significant claims, under the FSA guarantees related to FSAH's Financial Products business in a relatively short period of time. Any failure of FSA to satisfy these obligations under its guarantees could negatively affect FSA's rating. See " A downgrade of the financial strength or financial enhancement ratings of FSA could adversely affect its business and prospects and, consequently, our results of operations and financial condition and thus the benefits we would otherwise gain from the Acquisition" below.

Restrictions on the conduct of FSA's business after the closing will limit Assured's operating and financial flexibility.

Under the Purchase Agreement, we have agreed to conduct FSA's business subject to certain restraints. These restrictions will generally continue for three years after the closing of the Acquisition. Among other things, we have agreed that unless FSA is rated below A1 by Moody's and below AA- by S&P, FSA will not write any business except municipal bond and infrastructure bond insurance, whether written directly, assumed, reinsured or occurring through any merger transaction. We have also agreed that FSA will not repurchase, redeem or pay any dividends in relation to any class of equity interests unless (i) (A) at such time FSA is rated at least AA- by S&P, AA- by Fitch and Aa3 by Moody's (if such rating agencies still rate financial guaranty insurers generally) and (B) the aggregate amount of such dividends in any year does not exceed 125% of FSAH's debt service requirements for that year or (ii) FSA receives prior rating agency confirmation that such action would not cause any rating currently assigned to FSA to be downgraded immediately following such action. These agreements will limit Assured's operating and financial flexibility.

Although we expect that the acquisition of FSAH will result in benefits to Assured, we may not realize those benefits because of integration difficulties.

Integrating the operations of Assured and FSAH successfully or otherwise realizing any of the anticipated benefits of the Acquisition, including anticipated cost savings and additional revenue opportunities, involve a number of potential challenges. The failure to meet these integration challenges could seriously harm our results of operations and the market price of the Assured common shares may decline as a result.

Realizing the benefits of the Acquisition will depend in part on the integration of information technology systems, operations and personnel. These integration activities are complex and time-consuming and we may encounter unexpected difficulties or incur unexpected costs, including:

- diversion of management attention from ongoing business concerns to integration matters;
- difficulties in consolidating and rationalizing information technology platforms and administrative infrastructures; and

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difficulties in combining corporate cultures, maintaining employee morale and retaining key employees.

We may not successfully integrate the operations of Assured and FSAH in a timely manner and we may not realize the anticipated net reductions in costs and expenses and other benefits and synergies of the Acquisition to the extent, or in the time frame, anticipated. In addition to the integration risks discussed above, our ability to realize these net reductions in costs and expenses and other benefits and synergies could be adversely impacted by practical or legal constraints on our ability to combine operations.

Subject to certain limitations, Dexia Holdings may sell Assured common shares at any time following the one year anniversary of the Purchase Agreement, which could cause our stock price to decrease.

Dexia Holdings has agreed not to transfer any of the Assured common shares received in connection with the Acquisition at any time prior to November 14, 2009, the one year anniversary of the Purchase Agreement. We have agreed to register all of such Assured common shares under the Securities Act. The sale of a substantial number of Assured common shares by Dexia Holdings or our other stockholders within a short period of time could cause Assured's stock price to decrease, make it more difficult for us to raise funds through future offerings of Assured common shares or acquire other businesses using Assured common shares as consideration.

A downgrade of the financial strength or financial enhancement ratings of FSA would adversely affect its business and prospects and, consequently, its results of operations and financial condition and thus the benefits we would otherwise gain from the Acquisition.

As discussed below under " *A downgrade of the financial strength or financial enhancement ratings of any of our insurance subsidiaries would adversely affect our business and prospects and, consequently, our results of operations and financial condition,*" financial strength ratings are an important factor in establishing the competitive position of financial guaranty insurance and reinsurance companies.

On March 31, 2009, FSA was rated Triple-A (outlook negative) by S&P; Triple-A (rating watch negative) by Fitch and Aa3 (developing outlook) by Moody's. Subsequently, on May 11, 2009, Fitch downgraded FSA's rating to AA+ (rating watch negative). Fitch reported that the downgrade of FSA to AA+ was attributable to FSA's credit exposure to the AA+ rating of the Kingdom of Belgium in connection with the separation of the Financial Products operations from FSA.

Rating agencies may downgrade or revise their financial strength or financial enhancement ratings without notice and at any time. A downgrade of FSA's financial strength or financial enhancement ratings would adversely affect its business prospects and consequently, its results of operations and financial condition and thus the benefits we would otherwise gain from the Acquisition.

You will experience a reduction in percentage ownership and voting power with respect to Assured common shares as a result of the Acquisition.

In connection with the Acquisition, we will issue to Dexia Holdings up to 44,567,901 Assured common shares. Therefore, following the completion of the Acquisition, you will experience a reduction in your respective percentage ownership interests and effective voting power relative to their respective percentage ownership interests in Assured common shares and effective voting power prior to the Acquisition.

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Risks Related to Our Business

Loss reserve estimates are subject to uncertainties and loss reserves may not be adequate to cover potential paid claims.

The financial guaranties issued by us insure the credit performance of the obligations guaranteed over an extended period of time, in some cases over 30 years, under policies that we have, in most circumstances, no right to cancel. As a result of the lack of statistically significant paid loss data due to the low level of paid claims in our financial guaranty business and in the financial guaranty industry in general, particularly, until recently, in the structured finance and asset-backed areas, we do not use traditional actuarial approaches to determine loss reserves. The establishment of the appropriate level of loss reserves is an inherently subjective process involving numerous estimates, assumptions and judgments by management, using both internal and external data sources with regard to frequency and severity of loss. Actual losses will ultimately depend on events or transaction performance that will occur in the future. Therefore, there can be no assurance that actual paid claims in our insured portfolio will not exceed our loss reserves or that the methodologies we and FSA use to establish reserves in general or for any specific obligations have been the same historically or that they are similar to methodologies employed by our competitors, counterparties or other market participants.

This uncertainty has substantially increased in recent months, especially for RMBS transactions. Current expected losses in subprime, Alt-A, closed-end second and home equity line of credit ("HELOC") RMBS transactions, as well as other real-estate related transactions, are far worse than originally expected and in many cases far worse than the worst historical losses. As a result, historical loss data may have limited value in predicting future RMBS losses. Our net par outstanding as of March 31, 2009 represented by U.S. RMBS and home equity loans was $17.8 billion and represented by commercial mortgage-backed securities ("CMBS") was $5.9 billion. FSA had net par outstanding as of March 31, 2009 represented by U.S. RMBS and home equity loans of $16.5 billion with no CMBS exposure. We cannot assure you that current estimates of probable and estimable losses reflect the actual losses that we may ultimately incur. Actual paid claims could exceed our estimate and could significantly exceed our loss reserves, which may result in adverse effects on our financial condition, ratings and ability to raise needed capital.

A downgrade of the financial strength or financial enhancement ratings of any of our insurance subsidiaries would adversely affect our business and prospects and, consequently, our results of operations and financial condition.

Financial strength ratings are an important factor in establishing the competitive position of financial guaranty insurance and reinsurance companies. The objective of these ratings is to provide an opinion of an insurer's financial strength and ability to meet ongoing obligations to its policyholders. Ratings reflect the rating agencies' opinions of our financial strength, and are neither evaluations directed to investors in our common shares nor recommendations to buy, sell or hold our common shares.

As of June 1, 2009, our insurance company subsidiaries have been assigned the following insurance financial strength ratings:

	Moody's	S&P	Fitch
Assured Guaranty Corp.	Aa2(Excellent)	AAA(Extremely Strong)	AA(Very Strong)
Assured Guaranty Re Ltd.	Aa3(Excellent)	AA(Very Strong)	AA-(Very Strong)
Assured Guaranty Re Overseas Ltd.	Aa3(Excellent)	AA(Very Strong)	AA-(Very Strong)
Assured Guaranty Mortgage Insurance Company	Aa3(Excellent)	AA(Very Strong)	AA-(Very Strong)
Assured Guaranty (UK) Ltd.	Aa2(Excellent)	AAA(Extremely Strong)	AA(Very Strong)

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The outlook for each insurance financial strength rating issued by Moody's is under review for possible downgrade. The outlook for each insurance financial strength rating issued by Fitch is rating watch evolving.

Aa2 (Excellent) is the third highest ranking and Aa3 (Excellent) is the fourth highest ranking of 21 ratings categories used by Moody's. A AAA (Extremely Strong) rating is the highest ranking and AA (Very Strong) is the third highest ranking of the 21 ratings categories used by S&P. AAA (Extremely Strong) is the highest ranking and AA (Very Strong) is the third highest ranking of the 24 ratings categories used by Fitch. An insurance financial strength rating is an opinion with respect to an insurer's ability to pay under its insurance policies and contracts in accordance with their terms. The opinion is not specific to any particular policy or contract. Insurance financial strength ratings do not refer to an insurer's ability to meet non-insurance obligations and are not a recommendation to purchase or discontinue any policy or contract issued by an insurer or to buy, hold, or sell any security issued by an insurer, including our common shares.

The major rating agencies have developed and published rating guidelines for rating financial guaranty and mortgage guaranty insurers and reinsurers. The insurance financial strength ratings assigned by S&P, Moody's and Fitch are based upon factors relevant to policyholders and are not directed toward the protection of investors in our common shares. The rating criteria used by the rating agencies in establishing these ratings include consideration of the sufficiency of capital resources to meet projected growth (as well as access to such additional capital as may be necessary to continue to meet applicable capital adequacy standards), the company's overall financial strength, and demonstrated management expertise in financial guaranty and traditional reinsurance, credit analysis, systems development, marketing, capital markets and investment operations. Obligations insured by AGC generally are rated Aa2, AAA and AA by Moody's, S&P and Fitch, respectively, by virtue of such insurance. These ratings reflect only the views of the respective rating agencies and are subject to revision or withdrawal at any time.

The rating agencies grant credit to primary companies in their calculations of required capital and single risk limits for reinsurance ceded. The amount of credit is a function of the financial strength rating of the reinsurer. For example, S&P has established the following reinsurance credit for business ceded to a monoline reinsurer, including AG Re:

	Monoline Reinsurer Rating			
Ceding Company Rating	**AAA**	**AA**	**A**	**BBB**
AAA	100%	70%	50%	n/a
AA	100%	75%	70%	50%
A	100%	80%	75%	70%

Below A: Not applicable.

For reinsurance ceded to a multiline reinsurer, S&P has re-examined its methodology for the determination of reinsurance credit. In the course of its examination, S&P considered the effect of having both monoline and multiline companies in the industry, determining that multiline reinsurers had not demonstrated sufficient commitment to participation in the industry and occasionally had handled claims for financial guaranty reinsurance as they handle claims in their other business lines. S&P therefore determined that no rating agency reinsurance credit would be accorded cessions to multiline reinsurance companies that had not demonstrated their willingness and ability to make timely payment, which willingness and ability is measured by a financial enhancement rating from S&P. A financial enhancement rating reflects not only an insurer's perceived ability to pay claims, but also its perceived willingness to pay claims. Financial enhancement ratings are assigned by S&P to multiline insurers requesting the rating who meet stringent criteria identifying the company's capacity and

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willingness to pay claims on a timely basis. S&P has established the following reinsurance credit for business ceded to a multiline reinsurer carrying a financial enhancement rating:

	Multiline Reinsurer Rating			
Ceding Company Rating	**AAA**	**AA**	**A**	**BBB**
AAA	95%	65%	45%	n/a
AA	95%	70%	65%	45%
A	95%	75%	70%	65%

Below A: Not applicable.

The ratings of AGRO, AGMIC and AG UK are dependent upon support in the form of keepwell agreements. AG Re provides a keepwell to its subsidiary, AGRO. AGRO provides a keepwell to its subsidiary, AGMIC. AGC provides a keepwell to its subsidiary, AG UK. Pursuant to the terms of these agreements, each of AG Re, AGRO and AGC agrees to provide funds to their respective subsidiaries sufficient for those subsidiaries to meet their obligations.

The ratings assigned by S&P, Moody's and Fitch to our insurance subsidiaries are subject to periodic review and may be downgraded by one or more of the rating agencies as a result of changes in the views of the rating agencies or adverse developments in our subsidiaries' financial conditions or results of operations due to underwriting or investment losses or other factors. As a result, the ratings assigned to our insurance subsidiaries by any of the rating agencies may change at any time. If the ratings of any of our insurance subsidiaries were reduced below current levels by any of the rating agencies, it could have an adverse effect on the affected subsidiary's competitive position and its prospects for future business opportunities. A downgrade may also reduce the value of the reinsurance we offer, which may no longer be of sufficient economic value for our customers to continue to cede to our subsidiaries at economically viable rates.

On May 20, 2009, Moody's placed under review for possible downgrade the Aa2 insurance financial strength rating of AGC, as well as the ratings of other entities within the Assured group. In its public announcement of the rating action, Moody's stated that action reflects its view that despite recent improvements in Assured's market position, the expected performance of Assured's insured portfolio particularly the mortgage-related risks has substantially worsened. At the same time, Moody's also placed the Aa3 insurance financial strength ratings of FSA and its affiliated insurance operating companies on review for possible downgrade. In its public announcement of the rating action, Moody's cited its growing concerns about FSA's business and financial profile as a result of further deterioration in FSA's US mortgage portfolio and the related adverse effect on its capital adequacy, profitability, and market traction. In both press releases, Moody's noted that it has taken a more negative view of mortgage-related exposures in light of worse-than-expected performance trends, and recognized the continued susceptibility of the insured portfolio to the weak economic environment. Moody's also commented that the deterioration in the insured portfolios could have negative implications for the companies' franchise values, profitability and financial flexibility given the likely sensitivity of those business attributes to its capital position. Moody's also noted that the market dislocation caused by declining financial strength of financial guaranty insurers may alter the competitive dynamics of the industry by encouraging the entry of new participants or the growth of alternative forms of execution.

On May 4, 2009, Fitch downgraded the debt and insurer financial strength ratings of Assured Guaranty Ltd. and its subsidiaries. Fitch's insurer financial strength ratings for AGC and AG UK are now AA (rating watch evolving), down from AAA (stable) while the insurer financial strength rating for AG Re is AA- (rating watch evolving), down from AA (stable). Fitch cited Assured's exposures to mortgage-related and collateralized debt obligations of trust preferred securities as creating pressure on Assured's capital position. On May 11, 2009, Fitch lowered the rating of FSA to AA+ (negative credit

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watch). Fitch reported that the downgrade of FSA to AA+ was attributable to FSA's credit exposure to the AA+ rating of the Kingdom of Belgium in connection with the separation of the Financial Products operations from FSA.

The rating agencies periodically review their stress loss estimates for our portfolio. Their reviews could lead one or more of them to change their views of Assured and its subsidiaries and downgrade or revise the financial strength or financial enhancement ratings of Assured and its subsidiaries without notice and at any time. There can be no assurance that one or more of the rating agencies will not take further action on our ratings.

If the financial strength or financial enhancement ratings of any of our insurance subsidiaries were reduced below current levels, we expect it would have an adverse effect on our business prospects for future business opportunities and consequently, our results of operations and financial condition. A downgrade may also reduce the value of the reinsurance we offer, which may no longer be of sufficient economic value for our customers to continue to cede to our subsidiaries at economically viable rates.

A downgrade in the financial strength or financial enhancement ratings assigned to our operating subsidiaries could adversely impact our existing agreements, which could impair our results of operations and financial condition.

With respect to a significant portion of our in-force financial guaranty reinsurance business, in the event that AG Re were downgraded from Aa3 to A1, subject to the terms of each reinsurance agreement, the ceding company may have the right to recapture business ceded to AG Re and assets representing substantially all of the statutory unearned premium and loss reserves (if any) associated with that business. As of March 31, 2009, the statutory unearned premium, which represents deferred revenue to us, subject to recapture was approximately $170 million. If this entire amount were recaptured, it would result in a corresponding one-time reduction to net income of approximately $15 million. The effect on net income under these scenarios is exclusive of any capital gains or losses that may be realized.

If certain of our credit derivative contracts are terminated, we could be required to make a termination payment as determined under the relevant documentation. As of the date of this prospectus supplement, if AGC's ratings are downgraded to BBB+ or Baa1, certain CDS counterparties could terminate certain CDS contracts covering approximately $449.6 million par insured. If AGC's ratings are downgraded to levels between BBB or Baa2 and BB+ or Ba1, certain CDS counterparties could terminate certain CDS contracts covering approximately $8.1 billion par insured. As of the date of this prospectus supplement, if AG Re's or AGRO's ratings are downgraded to BBB or Baa2 or BBB- or Baa3, respectively, certain CDS counterparties could terminate certain CDS contracts covering approximately $121.7 million par insured. Given current market conditions, we do not believe that we can accurately estimate the termination payments we could be required to make if, as a result of any such downgrade, a CDS counterparty terminated its CDS contracts with us. Any such payments could have a material adverse effect on our liquidity and financial condition.

During May and June 2009, we entered into agreements with two CDS counterparties which previously had the right to terminate certain CDS contracts in the event that AGC was downgraded to below Aa3 or AA-, in one case, or below A3 or A-, in the other case. These agreements eliminated the ability of those CDS counterparties to receive a termination payment. In return, we agreed to post $325 million in collateral to secure our potential payment obligations under certain CDS contracts, which cover approximately $18.9 billion of par insured. The collateral posting would increase to $375 million if AGC were downgraded to below AA- or A2. The posting of this collateral has no impact on our net income or shareholders' equity nor does it impact AGC's statutory surplus or net income. We currently are negotiating with several other CDS counterparties to further reduce our exposure to possible termination payments. We cannot assure you that any agreement will be reached with any such CDS counterparty.

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In addition to the collateral posting described in the previous paragraph, under a limited number of other CDS contracts, we may be required to post eligible securities as collateral generally cash or U.S. government or agency securities. This requirement is based generally on a mark-to-market valuation in excess of contractual thresholds which decline if our ratings decline. As of the date of this prospectus supplement, we are posting approximately $192.5 million of collateral in respect of approximately $1.6 billion of par insured. Any amounts required to be posted as collateral in the future will depend on changes in the market values of these transactions. If AGC were downgraded below A- or A3, certain of the contractual thresholds would be eliminated and the amount of par that could be subject to collateral posting requirements would be $2.2 billion. The actual amounts posted would be based on market conditions at the time of the posting and the applicable CDS contracts. Any such amounts posted could have a material adverse effect on our liquidity. However, the posting of this collateral would have no impact on our net income or shareholders' equity nor would it impact AGC's statutory surplus or net income.

Actions taken by the rating agencies with respect to capital models and rating methodology of our business or transactions within our insured portfolio may adversely affect our business, results of operations and financial condition.

Changes in the rating agencies' capital models and rating methodology, including loss assumptions, and the risks in our investment and insured portfolios could require us to hold more capital to maintain our current ratings levels. These changes in methodology or assumptions could require us to hold more capital even if there are no adverse developments with respect any specific investments or insured risks. The rating agencies have recently indicated that they are considering changes to the loss assumptions applied in the stress tests they apply to the portfolios of financial guarantors. These loss assumptions are not always provided to us by the rating agencies and, even if they are provided to us, we may disagree with the rating agency loss assumptions. There can be no assurance that the amount of additional required capital will not be substantial or that such capital will be available to us on favorable terms and conditions or at all. The failure to raise additional required capital could result in a downgrade of our ratings, which could be one or more ratings categories, and thus have an adverse impact on our business, results of operations and financial condition.

Individual credits in our insured portfolio (including potential new credits) are assessed a rating agency "capital charge" based on a variety of factors, including the nature of the credits, their underlying ratings, their tenor and their expected and actual performance. Factors influencing rating agencies' actions are beyond management's control and are not always known to us. In the event of an actual or perceived deterioration in creditworthiness, a reduction in the underlying rating or a change in the rating agency capital methodology, the rating agencies may require us to increase the amount of capital allocated to support the affected credits, regardless of whether losses actually occur, or against potential new business. Significant reductions in underlying ratings of credits in our insured portfolio can produce significant increases in assessed "capital charges", which may require us to seek additional capital. There can be no assurance that our capital position will be adequate to meet such increased reserve requirements or that we will be able to secure additional capital, especially at a time of actual or perceived deterioration in creditworthiness of new or existing credits. Unless we are able to increase its amount of available capital, an increase in capital charges could reduce the amount of capital available to support our ratings and could have an adverse effect on our ability to write new business.

In recent months Fitch, Moody's and S&P have announced the downgrade of, or other negative ratings actions with respect to, a large number of structured finance transactions, including certain transactions that we insure. There can be no assurance that additional securities in our insured portfolio will not be reviewed and downgraded in the future. Moreover, we do not know what portion of the securities in our insured portfolio already have been reviewed by the rating agencies and if, and when, the rating agencies might review additional securities in our insured portfolio or review again

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securities that have already been reviewed and/or downgraded. Downgrades of credits that we insure will result in higher capital charges to us under the relevant rating agency model or models. If the additional amount of capital required to support such exposures is significant, we could be required to raise additional capital, if available, on terms and conditions that may not be favorable to us, curtail current business writings, or pay to transfer a portion of our in-force business to generate capital for ratings purposes with the goal of maintaining our ratings or suffer ratings downgrades. Such events or actions could adversely affect our results of operations, financial condition, ability to write new business or competitive positioning.

If the current difficult conditions in the U.S. and world-wide financial markets continue for an extended period or intensify, our business, liquidity, financial condition and stock price may be adversely affected.

The volatility and disruption in the global financial markets have reached unprecedented levels. The availability and cost of credit has been materially affected. These factors, combined with volatile oil prices, depressed home prices and increasing foreclosures, falling equity market values, declining business and consumer confidence and the risks of increased inflation and unemployment, have precipitated an economic slowdown and fears of a severe recession. These conditions may adversely affect our profitability, financial position, investment portfolio, cash flow, statutory capital and stock price.

Issuers or borrowers whose securities or loans we hold and counterparties under swaps and other derivative contracts may default on their obligations to us due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons. Additionally, the underlying assets supporting our structured securities may deteriorate causing these securities to incur losses. These losses could be significantly more than we expect and could materially adversely impact our financial strength, ratings and prospects for future business.

Our access to funds under its credit facilities is dependent on the ability of the banks that are parties to the facilities to meet their funding commitments. Those banks may not be able to meet their funding commitments to us if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from us and other borrowers within a short period of time. In addition, consolidation of financial institutions could lead to an increased credit risk.

Some of the state and local governments that issue obligations we insure are experiencing unprecedented budget shortfalls that could result in increased credit losses or impairments on those obligations.

In recent months state and local governments that issue some of the obligations we insure have reported unprecedented budget shortfalls that will require them to significantly raise taxes and/or cut spending in order to satisfy their obligations. While there have been some proposals by the U.S. federal government designed to provide aid to state and local governments, there can be no assurance that any of these proposals will be adopted. If the issuers of the obligations in our public finance portfolio are unable to raise taxes, increase spending, or receive federal assistance, we may experience losses or impairments on those obligations, which would materially and adversely affect our business, financial condition and results of operations.

We may require additional capital in the future, including soft capital and liquidity credit facilities, which may not be available or may be available only on unfavorable terms.

Our capital requirements depend on many factors, including our in force book of business and rating agency capital requirements. To the extent that our existing capital is insufficient to meet these requirements and/or cover losses, we may need to raise additional funds through financings or curtail

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our growth and reduce our assets. Our access to external sources of financing, as well as the cost of such financing, is dependent on various factors, including market supply of such financing, our long term debt ratings and the insurance financial strength ratings and the perceptions of our financial strength and the financial strength of our insurance subsidiaries. Our debt ratings are influenced by numerous factors, either in absolute terms or relative to our peer group, such as financial leverage, balance sheet strength, capital structure and earnings trends. The current adverse conditions in the credit markets have generally restricted the supply of external sources of financing and increased the cost of such financing when it is available. Equity financings could result in dilution to our shareholders and the securities may have rights, preferences and privileges that are senior to those of our common shares. If our need for capital arises because of significant losses, the occurrence of these losses may make it more difficult for us to raise the necessary capital.

Financial guaranty insurers and reinsurers typically rely on providers of lines of credit, credit swap facilities and similar capital support mechanisms (often referred to as "soft capital") to supplement their "hard capital." The ratings of soft capital providers directly affect the level of capital credit which the rating agencies attribute to the financial guaranty insurer or reinsurer when rating its financial strength. We intend to maintain soft capital facilities with providers having ratings adequate to provide the desired capital credit, although no assurance can be given that one or more of the rating agencies will not downgrade or withdraw the applicable ratings of such providers in the future. In addition, we cannot assure you that an acceptable replacement provider would be available in that event.

We require liquidity in order to pay our operating expenses, interest on our debt and dividends on our common shares, and to make capital investments in our operating subsidiaries. We anticipate that our need for liquidity will be met by (1) the ability of our operating subsidiaries to pay dividends or to make other payments to us, (2) external financings and (3) investment income from our invested assets. Our principal subsidiaries are subject to legal and rating agency restrictions on their ability to pay dividends and make other permitted payments, and external financing may or may not be available to us in the future on satisfactory terms. Our other subsidiaries are subject to legal restrictions on their ability to pay dividends and distributions. In connection with the Acquisition, we have committed that FSA will not pay any dividends for a period of two years from the date of the Acquisition without the written approval of the New York Insurance Department (the "Department"). While we believe that we will have sufficient liquidity to satisfy our needs over the next 12 months, there can be no assurance that adverse market conditions, changes in insurance regulatory law or changes in general economic condition that adversely affect our liquidity will not occur. Similarly, there can be no assurance that adequate liquidity will be available to us on favorable terms in the future.

Liquidity at our operating subsidiaries is used to pay operating expenses, claims, payment obligations with respect to credit derivatives, reinsurance premiums and dividends to Assured Guaranty US Holdings Inc. for debt service and dividends to us, as well as, where appropriate, to make capital investments in their own subsidiaries. While we believe that the operating cash flows of our subsidiaries will be sufficient to meet their needs, we cannot assure you that this will be the case, nor can we assure you that existing liquidity facilities will prove adequate to their needs, or be available to them on favorable terms in the future.

An increase in our subsidiaries' risk-to-capital ratio or leverage ratio may prevent them from writing new insurance.

Rating agencies and insurance regulatory authorities impose capital requirements on our insurance subsidiaries. These capital requirements, which include risk-to-capital ratios, leverage ratios and surplus requirements, limit the amount of insurance that our subsidiaries may write. Our insurance subsidiaries have several alternatives available to control their risk-to-capital ratios and leverage ratios, including obtaining capital contributions from us, purchasing reinsurance or entering into other loss mitigation agreements, or reducing the amount of new business written. However, a material reduction in the statutory capital and surplus of a subsidiary, whether resulting from underwriting or investment losses or otherwise, or a disproportionate increase in the amount of risk in force, could increase a subsidiary's risk-to-capital ratio or leverage ratio. This in turn could require that subsidiary to obtain reinsurance for existing business (which may not be available, or may be available on terms that we consider unfavorable), or add to its capital base to maintain its financial strength ratings. Failure to maintain such ratings could limit that subsidiary's ability to write new business.

Our reinsurance business is primarily dependent on facultative cessions and portfolio opportunities which may not be available to us in the future.

In prior years we have derived a substantial portion of our revenues from financial guaranty reinsurance premiums. During 2009 and the second half of 2008, there was a substantial reduction of direct financial guaranty business underwritten by our principal ceding companies and a reduction in the amount of reinsurance they utilize. As a result, reinsurance treaty and facultative cessions of new business have ceased and we are seeking opportunities to assume financial guaranty portfolios. These portfolio opportunities may not be available to us, which would have an adverse effect on our reinsurance business.

Recent adverse developments in the credit and financial guaranty markets have substantially increased uncertainty in our business and may materially and adversely affect our financial condition, results of operations and future business.

Since mid-2007 there have been adverse developments in the credit and financial guaranty markets. U.S. RMBS transactions issued in recent years are now expected to absorb losses far higher than originally expected by purchasers of these securities and financial guarantors which guaranteed such securities. This poor performance has led to price declines for RMBS securities and the rating agencies downgrading thousands of such transactions. The recent credit crisis has substantially reduced the demand for our structured finance guaranties. These market conditions may also adversely affect us in a number of ways, including requiring us to raise and hold more capital, reduce the demand for our direct guaranties or reinsurance, limit the types of guaranties we offer, encourage new competitors, make losses harder to estimate, make our results more volatile and make it harder to raise new capital.

Our financial guaranty products may subject us to significant risks from individual or correlated credits.

We could be exposed to corporate credit risk if the credit's securities are contained in a portfolio of collateralized debt obligations we insure, or if it is the originator or servicer of loans or other assets backing structured securities that we have insured. A Collateralized Debt Obligation ("CDO") is a debt security backed by a pool of debt obligations. While we track our aggregate exposure to single names in our various lines of business and have established underwriting criteria to manage risk aggregations, there can be no assurance that our ultimate exposure to a single name will not exceed our underwriting guidelines, or that an event with respect to a single name will not cause a significant loss. In addition, because we insure or reinsure municipal bonds, we can have significant exposures to single municipal risks. While the risk of a complete loss, where we pay the entire principal amount of an issue of bonds and interest thereon with no recovery, is generally lower than for corporate credits as most municipal bonds are backed by tax or other revenues, there can be no assurance that a single default by a municipality would not have a material adverse effect on our results of operations or financial condition.

We are exposed to correlation risk across the various assets we insure. During strong periods of macro economic performance, stress in an individual transaction generally occurs in a single asset class or for idiosyncratic reason. During a broad economic downturn, a broader range of our insured

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portfolio could be exposed to stress at the same time. This stress may manifest itself in downgrades, which may require more capital, or in actual losses.

Some of our direct financial guaranty products may be riskier than traditional financial guaranty insurance.

A substantial portion of our financial guaranty direct exposures have been assumed as credit derivatives. Traditional financial guaranty insurance provides an unconditional and irrevocable guaranty that protects the holder of a municipal finance or structured finance obligation against non payment of principal and interest, while credit derivatives provide protection from the occurrence of specified credit events, including non payment of principal and interest. In general, we structure credit derivative transactions such that circumstances giving rise to our obligation to make payments is similar to that for financial guaranty policies and generally occurs as losses are realized on the underlying reference obligation. Nonetheless, credit derivative transactions are governed by ISDA documentation and operate differently from financial guaranty insurance policies. For example, our control rights with respect to a reference obligation under a credit derivative may be more limited than when we issue a financial guaranty insurance policy on a direct primary basis. In addition, while our exposure under credit derivatives, like our exposure under financial guaranty insurance policies, has been generally for as long as the reference obligation remains outstanding, unlike financial guaranty insurance policies, a credit derivative may be terminated for a breach of the ISDA documentation or other specific events. In some older credit derivative transactions, one such specified event is the failure of AGC to maintain specified financial strength ratings. If a credit derivative is terminated, we could be required to make a mark-to-market payment as determined under the ISDA documentation.

In addition, under a limited number of credit derivative contracts, we are required to post eligible securities as collateral, generally cash or U.S. government or agency securities. The need to post collateral under these transactions is generally based on mark-to-market valuation in excess of contractual thresholds. The particular thresholds decline if our ratings decline.

See " *A downgrade of the financial strength or financial enhancement ratings of any of our insurance subsidiaries would adversely affect our business and prospects and, consequently, our results of operations and financial condition."*

Competition in our industry may adversely affect our revenues.

The principal sources of direct and indirect competition are other financial guaranty insurance companies and other forms of credit enhancement, which include structural enhancement, letters of credit, and credit derivatives provided by foreign and domestic banks and other financial institutions, some of which are governmental enterprises.

Our financial guaranty reinsurance business is vulnerable to a decline in demand by other financial guaranty insurance companies, as evidenced over the last few years..

New entrants into the financial guaranty industry could have an adverse effect on our prospects either by furthering price competition or by reducing the aggregate demand for our reinsurance as a result of additional insurance capacity.

Recently a new financial guaranty insurer has been licensed to operate in New York and the New York State Insurance Superintendent is encouraging other insurance regulators to rapidly license this new financial guaranty insurer. There have been news reports of other efforts to form new financial guarantors. Increased competition, either in terms of price, alternative structures, or the emergence of new providers of credit enhancement, could have an adverse effect on our business.

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We are dependent on key executives and the loss of any of these executives, or our inability to retain other key personnel, could adversely affect our business.

Our success substantially depends upon our ability to attract and retain qualified employees and upon the ability of our senior management and other key employees to implement our business strategy. We believe there are only a limited number of available qualified executives in the business lines in which we compete. Although we are not aware of any planned departures, we rely substantially upon the services of Dominic J. Frederico, our President and Chief Executive Officer, and other executives. Although Mr. Frederico and certain other executives have employment agreements with us, we cannot assure you that we will be able to retain their services. The loss of the services of any of these individuals or other key members of our management team could adversely affect the implementation of our business strategy.

Our business could be adversely affected by Bermuda employment restrictions.

Our location in Bermuda may serve as an impediment to attracting and retaining experienced personnel. Under Bermuda law, non Bermudians, other than spouses of Bermudians and individuals holding permanent resident certificates or working resident certificates, are not permitted to engage in any gainful occupation in Bermuda without a work permit issued by the Bermuda government. A work permit is only granted or extended if the employer can show that, after a proper public advertisement, no Bermudian, spouse of a Bermudian or individual holding a permanent resident certificate or working resident certificates is available who meets the minimum standards for the position. The Bermuda government's policy places a six year term limit on individuals with work permits, subject to specified exemptions for persons deemed to be key employees. All of our Bermuda based employees who require work permits have been granted permits by the Bermuda government, including our President and Chief Executive Officer, Chief Financial Officer, General Counsel and Secretary, Chief Accounting Officer, Chief Credit Officer, Chief Surveillance Officer and President of AG Re. It is possible that we could lose the services of one or more of our key employees if we are unable to obtain or renew their work permits.

We may be adversely affected by interest rate changes affecting the performance of our investment portfolio.

Our operating results are affected, in part, by the performance of our investment portfolio. Changes in interest rates could also have an adverse effect on our investment income. For example, if interest rates decline, funds reinvested will earn less than expected. Our investment portfolio contains interest rate-sensitive instruments, such as bonds, which may be adversely affected by changes in interest rates. Increases in interest rates will reduce the value of these securities, resulting in unrealized losses that we are required to include in shareholder's equity as a change in accumulated other comprehensive income. Accordingly, interest rate increases could reduce our shareholders' equity.

In addition, our investment portfolio includes mortgage-backed securities. As of March 31, 2009, mortgage-backed securities constituted approximately 28% of our invested assets. As with other fixed maturity investments, the fair market value of these securities fluctuates depending on market and other general economic conditions and the interest rate environment. Changes in interest rates can expose us to significant prepayment risks on these investments. In periods of declining interest rates, mortgage prepayments generally increase and mortgage-backed securities are prepaid more quickly, requiring us to reinvest the proceeds at then-current market rates. During periods of rising interest rates, the frequency of prepayments generally decreases. Mortgage-backed securities having an amortized value less than par (i.e., purchased at a discount) may incur a decrease in yield or a loss as a result of slower prepayment.

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Interest rates are highly sensitive to many factors, including monetary policies, domestic and international economic and political conditions and other factors beyond our control. We do not engage in active management, or hedging, of interest rate risk, and may not be able to mitigate interest rate sensitivity effectively.

The performance of our invested assets affects our results of operations and cash flows.

Income from our investment portfolio is one of the primary sources of cash flows supporting our operations and claim payments. For the three months ended March 31, 2009 and the years ended December 31, 2008, 2007 and 2006, our net investment income was $43.6 million, $162.6 million, $128.1 million and $111.5 million, respectively, in each case exclusive of net realized gains (losses) and unrealized gains (losses) on investments. If our calculations with respect to our policy liabilities are incorrect, or if we improperly structure our investments to meet these liabilities, we could have unexpected losses, including losses resulting from forced liquidation of investments before their maturity. The investment policies of our insurance subsidiaries are subject to insurance law requirements, and may change depending upon regulatory, economic and market conditions and the existing or anticipated financial condition and operating requirements, including the tax position, of our businesses.

We have retained BlackRock Financial Management ("BlackRock") to manage our investment portfolio. The performance of our invested assets is subject to their performance in selecting and managing appropriate investments. BlackRock has discretionary authority over our investment portfolio within the limits of our investment guidelines.

Our net income may be volatile because a portion of the credit risk we assume is in the form of credit derivatives that are accounted for under FAS 133/149/155, which requires that these instruments be marked-to-market quarterly.

Any event causing credit spreads (i.e., the difference in interest rates between comparable securities having different credit risk) on an underlying security referenced in a credit derivative in our portfolio either to widen or to tighten will affect the fair value of the credit derivative and may increase the volatility of our earnings. Derivatives must be accounted for either as assets or liabilities on the balance sheet and measured at fair market value. Although there is no cash flow effect from this "marking to market," net changes in the fair market value of the derivative are reported in our statement of operations and therefore will affect our reported earnings. If the derivative is held to maturity and no credit loss is incurred, any gains or losses previously reported would be offset by corresponding gains or losses at maturity. Due to the complexity of fair value accounting and the application of FAS 133/149/155, future amendments or interpretations of these accounting standards may cause us to modify our accounting methodology in a manner which may have an adverse impact on our financial results.

Common events that may cause credit spreads on an underlying municipal or corporate security referenced in a credit derivative to fluctuate include changes in the state of national or regional economic conditions, industry cyclicality, changes to a company's competitive position within an industry, management changes, changes in the ratings of the underlying security, movements in interest rates, default or failure to pay interest, or any other factor leading investors to revise expectations about the issuer's ability to pay principal and interest on its debt obligations. Similarly, common events that may cause credit spreads on an underlying structured security referenced in a credit derivative to fluctuate may include the occurrence and severity of collateral defaults, changes in demographic trends and their impact on the levels of credit enhancement, rating changes, changes in interest rates or prepayment speeds, or any other factor leading investors to revise expectations about the risk of the collateral or the ability of the servicer to collect payments on the underlying assets sufficient to pay principal and interest.

Changes in U.S. tax laws could reduce the demand or profitability of financial guaranty insurance, or negatively impact our investment portfolio.

Any material change in the U.S. tax treatment of municipal securities, the imposition of a national sales tax in lieu of the current federal income tax structure in the United States, or changes in the treatment of dividends, could adversely affect the market for municipal obligations and, consequently, reduce the demand for financial guaranty insurance and reinsurance of such obligations.

Changes in U.S. federal, state or local laws that materially adversely affect the tax treatment of municipal securities or the market for those securities, or other changes negatively affecting the municipal securities market, also may adversely impact our investment portfolio, a significant portion of which is invested in tax-exempt instruments. These adverse changes may adversely affect the value of our tax-exempt portfolio, or its liquidity.

Regulatory change could adversely affect our ability to enter into future business.

Future legislative, regulatory or judicial changes in the jurisdictions regulating our Company may adversely affect our ability to pursue our current mix of business, materially impacting our financial results.

The perceived decline in the financial strength of many financial guaranty insurers has caused a number of government officials to question the breadth and complexity of some of the securities guaranteed by financial guaranty insurers. For example, the Department has announced that it is working to develop new rules and regulations for the financial guaranty industry. On September 22, 2008, the Department issued Circular Letter No. 19 (2008) (the "Circular Letter"), which establishes best practices guidelines for financial guaranty insurers effective January 1, 2009. The Department plans to propose legislation and regulations to formalize these guidelines. These guidelines and the related legislation and regulations may limit the amount of new structured finance business that AGC is able to write in future periods. In addition, on June 11, 2009, a new bill was introduced into the New York General Assembly at the request of New York's governor to amend the New York Insurance Law to enhance the regulation of financial guaranty insurers. At this time it is not possible to predict if any such new rules will be implemented or legislation enacted or, if implemented or enacted, the content of the new rules or legislation or their effect on us.

In addition, perceived problems in the credit derivative markets have led to calls for further regulation of credit derivatives at the state or federal level. Changes in the regulation of credit derivatives could materially impact the market demand for derivatives and/or our ability to enter into derivative transactions.

Actions taken at the federal level in response to the current recession could materially affect our business. Such risks include:

- Federal money could be used to capitalize a competitor;
- Federal money provided to the States could adversely impact the demand for insured bonds; and
- Proposals with respect to assistance to mortgage borrowers and/or so called "mortgage cram-down" provisions could affect our ability to realize on the collateral underlying our mortgage-backed transactions.

Our ability to meet our obligations may be constrained by our holding company structure.

Assured Guaranty is a holding company and, as such, has no direct operations of its own. We do not expect to have any significant operations or assets other than our ownership of the shares of our subsidiaries. Dividends and other permitted payments from our operating subsidiaries are expected to be our primary source of funds to meet ongoing cash requirements, including any future debt service payments and other expenses, and to pay dividends to our shareholders. Our insurance subsidiaries are subject to regulatory and rating agency restrictions limiting their ability to declare and to pay dividends and make other payments to us. Furthermore, in connection with the Acquisition, we have committed that FSA will not pay any dividends for a period of two years from the date of the Acquisition without the written approval of the New York Insurance Department. In addition, to the extent that dividends are paid from our U.S. subsidiaries, they presently would be subject to U.S. withholding tax at a rate of 30%. The inability of our insurance subsidiaries to pay sufficient dividends and make other permitted payments to us would have an adverse effect on our ability to satisfy our ongoing cash requirements and on our ability to pay dividends to our shareholders. If we do not pay dividends, the only return on your investment in our Company, if at all, would come from any appreciation in the price of our common shares.

Our ability to pay dividends may be constrained by certain regulatory requirements and restrictions.

We are subject to Bermuda regulatory constraints that will affect our ability to pay dividends on our common shares and to make other payments. Under the Bermuda Companies Act 1981, as amended (the "Companies Act"), we may declare or pay a dividend out of distributable reserves only (1) if we have reasonable grounds for believing that we are, and after the payment would be, able to pay our liabilities as they become due and (2) if the realizable value of our assets would not be less than the aggregate of our liabilities and issued share capital and share premium accounts. While we currently intend to pay dividends, if you require dividend income you should carefully consider these risks before investing in our company.

There are provisions in our Bye-Laws that may reduce or increase the voting rights of our common shares.

If, and so long as, the common shares of a shareholder are treated as "controlled shares" (as determined under section 958 of the Internal Revenue Code of 1986, as amended (the "Code")) of any U.S. Person (as defined below) and such controlled shares constitute 9.5% or more of the votes conferred by our issued shares, the voting rights with respect to the controlled shares of such U.S. Person (a "9.5% U.S. Shareholder") shall be limited, in the aggregate, to a voting power of less than 9.5%, under a formula specified in our Bye-Laws. The formula is applied repeatedly until the voting power of all 9.5% U.S. Shareholders has been reduced to less than 9.5%. In addition, our Board of Directors may limit a shareholder's voting rights where it deems appropriate to do so to (1) avoid the existence of any 9.5% U.S. Shareholders, and (2) avoid certain material adverse tax, legal or regulatory consequences to us or any of our subsidiaries or any shareholder or its affiliates. "Controlled shares" include, among other things, all shares of Assured Guaranty that such U.S. Person is deemed to own directly, indirectly or constructively (within the meaning of section 958 of the Code).

Under these provisions, certain shareholders may have their voting rights limited to less than one vote per share, while other shareholders may have voting rights in excess of one vote per share. Moreover, these provisions could have the effect of reducing the votes of certain shareholders who would not otherwise be subject to the 9.5% limitation by virtue of their direct share ownership. Our Bye-Laws provide that shareholders will be notified of their voting interests prior to any vote taken by them.

As a result of any reallocation of votes, your voting rights might increase above 5% of the aggregate voting power of the outstanding common shares, thereby possibly resulting in your becoming a reporting person subject to Schedule 13D or 13G filing requirements under the Exchange Act. In addition, the reallocation of your votes could result in your becoming subject to the short swing profit recovery and filing requirements under Section 16 of the Exchange Act.

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We also have the authority under our Bye-Laws to request information from any shareholder for the purpose of determining whether a shareholder's voting rights are to be reallocated under the Bye-Laws. If a shareholder fails to respond to our request for information or submits incomplete or inaccurate information in response to a request by us, we may, in our sole discretion, eliminate such shareholder's voting rights.

There are provisions in our Bye-Laws that may restrict the ability to transfer common shares, and that may require shareholders to sell their common shares.

Our Board of Directors may decline to approve or register a transfer of any common shares (1) if it appears to the Board of Directors, after taking into account the limitations on voting rights contained in our Bye-Laws, that any adverse tax, regulatory or legal consequences to us, any of our subsidiaries or any of our shareholders may occur as a result of such transfer (other than such as the Board of Directors considers to be de minimis), or (2) subject to any applicable requirements of or commitments to the NYSE, if a written opinion from counsel supporting the legality of the transaction under U.S. securities laws has not been provided or if any required governmental approvals have not been obtained.

Our Bye-Laws also provide that if our Board of Directors determines that share ownership by a person may result in adverse tax, legal or regulatory consequences to us, any of our subsidiaries or any of our shareholders (other than such as the Board of Directors considers to be de minimis), then we have the option, but not the obligation, to require that shareholder to sell to us or to third parties to whom we assign the repurchase right for fair market value the minimum number of common shares held by such person which is necessary to eliminate such adverse tax, legal or regulatory consequences. See "Description of Share Capital" in the accompanying prospectus.

Applicable insurance laws may make it difficult to effect a change of control of us.

Before a person can acquire control of a U.S. insurance company, prior written approval must be obtained from the insurance commissioner of the state where the domestic insurer is domiciled. Because a person acquiring 10% or more of our common shares would indirectly control the same percentage of the stock of our U.S. insurance company subsidiaries, the insurance change of control laws of Maryland and New York would likely apply to such a transaction.

These laws may discourage potential acquisition proposals and may delay, deter or prevent a change of control of our company, including through transactions, and in particular unsolicited transactions, that some or all of our shareholders might consider to be desirable.

While our Bye-Laws limit the voting power of any shareholder (other than ACE) to less than 10%, there can be no assurance that the applicable regulatory body would agree that a shareholder who owned 10% or more of our common shares did not, notwithstanding the limitation on the voting power of such shares, control the applicable insurance company subsidiary.

Some reinsurance agreement terms may make it difficult to effect a change of control of us.

Some of our reinsurance agreements have change of control provisions that are triggered if a third party acquires a designated percentage of our shares. If these change of control provisions are triggered, the ceding company may recapture some or all of the reinsurance business ceded to us in the past. Any such recapture could adversely affect our future income or ratings. These provisions may discourage potential acquisition proposals and may delay, deter or prevent a change of control of our Company, including through transactions that some or all of our shareholders might consider to be desirable.

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Anti-takeover provisions in our Bye-Laws could impede an attempt to replace or remove our directors, which could diminish the value of our common shares.

Our Bye-Laws contain provisions that may make it more difficult for shareholders to replace directors even if the shareholders consider it beneficial to do so. In addition, these provisions could delay or prevent a change of control that a shareholder might consider favorable. For example, these provisions may prevent a shareholder from receiving the benefit from any premium over the market price of our common shares offered by a bidder in a potential takeover. Even in the absence of an attempt to effect a change in management or a takeover attempt, these provisions may adversely affect the prevailing market price of our common shares if they are viewed as discouraging takeover attempts in the future.

Certain of our foreign subsidiaries may be subject to U.S. tax.

We manage our business so that Assured Guaranty, AG Re and our two U.K. subsidiaries (the "U.K. Subsidiaries") will operate in such a manner that none of them should be subject to U.S. federal tax (other than U.S. excise tax on insurance and reinsurance premium income attributable to insuring or reinsuring U.S. risks, and U.S. withholding tax on certain U.S. source investment income). However, because there is considerable uncertainty as to the activities which constitute being engaged in a trade or business within the United States, we cannot be certain that the Internal Revenue Service ("IRS") will not contend successfully that Assured Guaranty or any of our foreign subsidiaries other than AGRO is/are engaged in a trade or business in the United States. If Assured Guaranty, AG Re or either of our U.K. subsidiaries were considered to be engaged in a trade or business in the United States, each such company could be subject to U.S. corporate income and branch profits taxes on the portion of its earnings effectively connected to such U.S. business.

Assured Guaranty and its Bermuda subsidiaries may become subject to taxes in Bermuda after 2016, which may have a material adverse effect on our results of operations and on your investment.

The Bermuda Minister of Finance, under Bermuda's Exempted Undertakings Tax Protection Act 1966, as amended, has given Assured Guaranty, AG Re and AGRO an assurance that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then subject to certain limitations the imposition of any such tax will not be applicable to Assured Guaranty or our Bermuda subsidiaries, or any of our or their operations, shares, debentures or other obligations until March 28, 2016. Given the limited duration of the Minister of Finance's assurance, we cannot be certain that we will not be subject to Bermuda tax after 2016.

U.S. Persons who hold 10% or more of our shares directly or through foreign entities may be subject to taxation under tax rules.

Each 10% U.S. Shareholder of a foreign corporation that is a controlled foreign corporation ("CFC") for an uninterrupted period of 30 days or more during a taxable year, and who owns shares in the foreign corporation directly or indirectly through foreign entities on the last day of the foreign corporation's taxable year on which it is a CFC, must include in its gross income for U.S. federal income tax purposes its pro rata share of the CFC's "subpart F income," even if the subpart F income is not distributed. See "Material Tax Considerations."

We believe that because of the dispersion of our share ownership, provisions in our Bye-Laws that limit voting power and other factors, no U.S. Person who owns our common shares directly or indirectly through foreign entities should be treated as a 10% U.S. Shareholder of us or of any of our foreign subsidiaries. It is possible, however, that the IRS could challenge the effectiveness of these provisions and that a court could sustain such a challenge.

U.S. Persons who hold shares may be subject to U.S. income taxation at ordinary income rates on their proportionate share of our related person insurance income ("RPII").

If the gross RPII of AG Re was to equal or exceed 20% of AG Re's gross insurance income in any taxable year and direct or indirect insureds (and persons related to such insureds) own (or are treated as owning directly or indirectly through entities) 20% or more of the voting power or value of our shares, then a U.S. Person who owns our shares (directly or indirectly through foreign entities) on the last day of the taxable year would be required to include in its income for U.S. federal income tax purposes such person's pro rata share of AG Re's RPII for the entire taxable year, determined as if such RPII were distributed proportionately only to U.S. Persons at that date, regardless of whether such income is distributed. In addition, any RPII that is includible in the income of a U.S. tax-exempt organization may be treated as unrelated business taxable income. The amount of RPII earned by AG Re (generally, premium and related investment income from the direct or indirect insurance or reinsurance of any direct or indirect U.S. holder of shares or any person related to such holder) will depend on a number of factors, including the geographic distribution of AG Re's business and the identity of persons directly or indirectly insured or reinsured by AG Re. We believe AG Re did not in prior years of operation and should not in the foreseeable future have either RPII income which equals or exceeds 20% of gross insurance income or have direct or indirect insureds, as provided for by RPII rules, of AG Re (and related persons) directly or indirectly own 20% or more of either the voting power or value of our shares. However, we cannot be certain that this will be the case because some of the factors which determine the extent of RPII may be beyond our control.

U.S. Persons who dispose of our shares may be subject to U.S. income taxation at ordinary income tax rates in a portion of their gain, if any.

The RPII rules provide that if a U.S. Person disposes of shares in a foreign insurance corporation in which U.S. Persons own 25% or more of the shares (even if the amount of gross RPII is less than 20% of the corporation's gross insurance income and the ownership of its shares by direct or indirect insureds and related persons is less than the 20% threshold), any gain from the disposition will generally be treated as dividend income to the extent of the holder's share of the corporation's undistributed earnings and profits that were accumulated during the period that the holder owned the shares (whether or not such earnings and profits are attributable to RPII). In addition, such a holder will be required to comply with certain reporting requirements, regardless of the amount of shares owned by the holder. These RPII rules should not apply to dispositions of our shares because we will not ourselves be directly engaged in the insurance business; however, the RPII provisions have never been interpreted by the courts or the U.S. Treasury Department in final regulations, and regulations interpreting the RPII provisions of the Code exist only in proposed form. It is not certain whether these regulations will be adopted in their proposed form, what changes or clarifications might ultimately be made thereto, or whether any such changes, as well as any interpretation or application of RPII by the IRS, the courts, or otherwise, might have retroactive effect. The U.S. Treasury Department has authority to impose, among other things, additional reporting requirements with respect to RPII. Accordingly, the meaning of the RPII provisions and the application thereof to Assured Guaranty and AG Re is uncertain.

U.S. Persons who hold common shares will be subject to adverse tax consequences if we are considered to be a "passive foreign investment company" for U.S. federal income tax purposes.

If Assured Guaranty is considered a passive foreign investment company ("PFIC") for U.S. federal income tax purposes, a U.S. person who owns any shares of Assured Guaranty will be subject to adverse tax consequences, including subjecting the investor to greater tax liability than might otherwise apply and subjecting the investor to tax on amounts in advance of when tax would otherwise be imposed, which could materially adversely affect your investment. We believe that Assured Guaranty is not, and we currently do not expect Assured Guaranty to become, a PFIC for U.S. federal income tax purposes; however, we cannot assure you that Assured Guaranty will not be deemed a PFIC by the IRS. There are currently no regulations regarding the application of the PFIC provisions to an insurance company. New regulations or pronouncements interpreting or clarifying these rules may be forthcoming. We cannot predict what impact, if any, such guidance would have on an investor that is subject to U.S. federal income taxation.

Changes in U.S. federal income tax law could materially adversely affect an investment in our common shares.

Legislation has been introduced in the U.S. Congress intended to eliminate certain perceived tax advantages of companies (including insurance companies) that have legal domiciles outside the United States but have certain U.S. connections. For example, legislation has been introduced in Congress to limit the deductibility of reinsurance premiums paid by U.S. companies to foreign affiliates. It is possible that this or similar legislation could be introduced in and enacted by the current Congress or future Congresses that could have an adverse impact on us or our shareholders.

U.S. federal income tax laws and interpretations regarding whether a company is engaged in a trade or business within the United States, is a PFIC, or whether U.S. Persons would be required to include in their gross income the "subpart F income" of a CFC or RPII are subject to change, possibly on a retroactive basis. There currently are no regulations regarding the application of the PFIC rules to insurance companies, and the regulations regarding RPII are still in proposed form. New regulations or pronouncements interpreting or clarifying such rules may be forthcoming. We cannot be certain if, when, or in what form such regulations or pronouncements may be implemented or made, or whether such guidance will have a retroactive effect.

The Organization for Economic Cooperation and Development and the European Union are considering measures that might increase our taxes and reduce our net income.

The Organization for Economic Cooperation and Development (the "OECD") has published reports and launched a global dialogue among member and non-member countries on measures to limit harmful tax competition. These measures are largely directed at counteracting the effects of tax havens and preferential tax regimes in countries around the world. In response to a number of measures taken and commitments by the government of Bermuda, in June 2009, Bermuda was listed as a jurisdiction that has substantially implemented those standards. We are not able to predict what changes will arise from these changes or commitments or whether such changes will subject us to additional taxes.

Risks Related to this Offering

You assume the risk that the market value of our common shares may decline.

Although as a holder of Corporate Units or Treasury Units you will be the beneficial owner of the related applicable ownership interests in notes, Treasury securities or the Treasury portfolio, as the case may be, you will also have an obligation to buy our common shares pursuant to the purchase contracts that are part of the Corporate Units and Treasury Units. On the purchase contract settlement date, (i) in the case of Corporate Units, either (x) the principal of the appropriate applicable ownership interests in the Treasury portfolio when paid at maturity or (y) either the proceeds attributable to the applicable ownership interest in a note derived from the successful remarketing of a note or, if no successful remarketing has occurred, the put price paid upon the automatic put of a note to us, or (ii) in the case of Treasury Units, the principal of the related Treasury securities when paid at maturity, will automatically be used to purchase a specified number of our common shares on your behalf, unless you pay cash to satisfy your obligation under the purchase contracts or the purchase contracts are

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terminated due to our bankruptcy, insolvency or reorganization or the proceeds of your applicable interest in the Treasury portfolio or the Treasury securities underlying your Equity Units, as applicable, are less than the aggregate purchase price of the common shares issuable pursuant to the related purchase contracts (in which case you will be obligated to pay that difference).

The number of our common shares that you will receive upon the settlement of a purchase contract is not fixed but instead will depend on the average of the closing price per common share on the 20 consecutive trading days ending on the third trading day immediately preceding the purchase contract settlement date, which we refer to as the applicable market value. There can be no assurance that the market value of our common shares received by you on the purchase contract settlement date will be equal to or greater than the price per share paid by you for our common shares. If the applicable market value of our common shares is less than the reference price of $, the market value of our common shares issued to you pursuant to each purchase contract on the purchase contract settlement date (assuming that the market value is the same as the applicable market value of the common shares) will be less than the effective price per share paid by you for our common shares on the date of issuance of the Equity Units. Accordingly, you assume the risk that the market value of our common shares may decline and that the decline could be substantial.

The Equity Units provide limited settlement rate adjustments, and the Concurrent Common Share Offering, the Acquisition or another event could occur that adversely affects the value of the Equity Units or our common shares but that does not result in an adjustment to the settlement rate.

The number of common shares that you are entitled to receive on the purchase contract settlement date, or as a result of early settlement of a purchase contract, is subject to adjustment for certain events arising from stock splits and combinations, stock dividends, cash dividends and certain other acts. See "Description of the Purchase Contracts Anti-Dilution Adjustments." We will not adjust the number of common shares that you are to receive on the purchase contract settlement date, or as a result of early settlement of a purchase contract, for our Concurrent Common Share Offering, the Acquisition or other events, including offerings of convertible notes or common shares by us for cash or in connection with acquisitions, employee stock option grants or ordinary dividends (at the level we currently pay). There can be no assurance that an event that adversely affects the value of the Equity Units or our common shares, but does not result in an adjustment to the settlement rate, will not occur. Further, we are not restricted from issuing additional common shares during the term of the purchase contracts and have no obligation to consider your interests. If we issue additional common shares, it may materially and adversely affect the trading price of our common shares and the Corporate Units or Treasury Units.

The opportunity for equity appreciation provided by an investment in the Equity Units is less than that provided by a direct investment in our common shares.

Your opportunity for equity appreciation afforded by investing in the Equity Units is less than your opportunity for equity appreciation if you directly invested in our common shares. This opportunity is less because the market value of the common shares to be received by you pursuant to the purchase contract on the purchase contract settlement date (assuming that the market value is the same as the applicable market value of the common shares) will only exceed the effective price per share paid by you for our common shares on the purchase contract settlement date if the applicable market value of the common shares exceeds the threshold appreciation price (which represents an appreciation of % over the reference price). If the applicable market value of our common shares exceeds the reference price but falls below the threshold appreciation price, you will realize no equity appreciation of the common shares for the period during which you own the purchase contract. Furthermore, if the applicable market value of our common shares equals or exceeds the threshold appreciation price, you would receive on the purchase contract settlement date only approximately

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% of the value of the common shares you could have purchased with $50 at the reported last sale price of our common shares on the date of pricing of the Equity Units.

The trading prices for the Corporate Units and Treasury Units will be directly affected by the trading prices of our common shares, the general level of interest rates and our credit quality.

The trading prices of Corporate Units and Treasury Units in the secondary market will be directly affected by the trading prices of our common shares, the general level of interest rates and our credit quality. It is impossible to predict whether the price of the common shares or interest rates will rise or fall. Trading prices of the common shares will be influenced by our operating results and prospects and by economic, financial and other factors. In addition, general market conditions, including the level of, and fluctuations in the trading prices of stocks generally, and sales of substantial amounts of common shares (or securities convertible into, or that may otherwise be settled in, common shares) by us in the market after the offering of the Equity Units, or the perception that such sales could occur, could affect the price of our common shares. The price of our common shares could also be affected by possible sales of our common shares by investors who view the Equity Units as a more attractive means of equity participation in us and by hedging or arbitrage trading activity that may develop involving our common shares. This trading activity could, in turn, affect the trading price of the Corporate Units or the Treasury Units.

If you hold Corporate Units or Treasury Units, you will not be entitled to any rights with respect to our common shares, but you will be subject to all changes made with respect to our common shares.

If you hold Corporate Units or Treasury Units, you will not be entitled to any rights with respect to our common shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on the common shares), but you will be subject to all changes affecting the common shares. You will only be entitled to rights on the common shares if and when we deliver our common shares upon settlement of the purchase contracts that are part of Corporate Units or Treasury Units on the purchase contract settlement date, or as a result of early settlement, as the case may be, and the applicable record date, if any, for the exercise of rights occurs after that date. For example, in the event that an amendment is proposed to our certificate of incorporation and memorandum of association or bye-laws requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to delivery of the common shares, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common shares.

You may have to pay taxes with respect to distributions on our common shares that you do not receive.

The number of common shares that you are entitled to receive on the purchase contract settlement date or as a result of early settlement of a purchase contract is subject to adjustment for certain events arising from stock splits and combinations, stock dividends, cash dividends and certain other actions by us that modify our capital structure. See "Description of the Purchase Contracts Anti-Dilution Adjustments." If the settlement rate is adjusted as a result of a distribution that is taxable to our common shareholders, such as a cash dividend, you would be required to include an amount in income for federal income tax purposes, notwithstanding the fact that you do not actually receive such gross distribution. Non-U.S. holders of the Equity Units may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal withholding tax requirements. See "Material Tax Considerations U.S. Federal Income Tax Consequences Purchase Contracts Adjustment to the Settlement Rate."

The secondary market for the Corporate Units, Treasury Units or notes may be illiquid.

It is not possible to predict how Corporate Units, Treasury Units or notes will trade in the secondary market or whether the market will be liquid or illiquid. There is currently no secondary market for our Corporate Units, Treasury Units or notes, and we do not intend to list the Corporate Units, the Treasury Units or the notes on the New York Stock Exchange or any other national securities exchange. There can be no assurance as to the liquidity of any market that may develop for the Corporate Units, the Treasury Units or the notes, your ability to sell these securities or whether a trading market, if it develops, will continue. In addition, in the event a sufficient number of holders of Corporate Units were to convert their Treasury Units to Corporate Units or their Corporate Units to Treasury Units, as the case may be, the liquidity of Corporate Units or Treasury Units could be adversely affected.

Your rights to the pledged securities will be subject to our security interest.

Although you will be the beneficial owner of the applicable ownership interests in notes, Treasury securities or the Treasury portfolio, as applicable, those securities will be pledged to us through the collateral agent to secure your obligations under the related purchase contracts. Thus, your rights to the pledged securities will be subject to our security interest. Additionally, notwithstanding the automatic termination of the purchase contracts, in the event that we become the subject of a case under the U.S. Bankruptcy Code, the delivery of the pledged securities to you may be delayed by the imposition of the automatic stay under Section 362 of the Bankruptcy Code and claims arising out of the notes, like all other claims in bankruptcy proceedings, will be subject to the equitable jurisdiction and powers of the bankruptcy court.

The notes are effectively subordinated to any secured debt of Assured Guaranty US Holdings and any liabilities of its subsidiaries, and the guarantee of the notes is effectively subordinated to any of our secured debt and any liabilities of our subsidiaries.

The notes will rank senior in right of payment to Assured Guaranty US Holdings' future indebtedness that is expressly subordinated in right of payment to the notes; equal in right of payment to its existing and future liabilities that are not so subordinated; effectively junior to any of its secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness incurred by, and other liabilities of, its subsidiaries. Our guarantee of the notes will rank senior in right of payment to our future indebtedness that is expressly subordinated in right of payment to the guarantee; equal in right of payment to our existing and future unsecured and unsubordinated indebtedness; effectively junior to all existing and future indebtedness incurred by, and other liabilities of, our subsidiaries.

In the event of our or Assured Guaranty US Holdings' bankruptcy, liquidation, reorganization or other winding up, the assets that secure debt ranking equal in right of payment to the notes and the guarantee, as applicable, will be available to pay obligations on the notes or the guarantee only after any applicable secured debt has been repaid in full from these assets. There may not be sufficient assets remaining to pay amounts due on any or all of the debt, including the notes, then outstanding. The indenture governing the notes and the guarantee does not prohibit Assured Guaranty US Holdings or us from incurring additional senior debt or secured debt, nor does it prohibit any of our subsidiaries from incurring additional liabilities.

As of March 31, 2009, our subsidiaries had approximately $347.2 million of indebtedness outstanding, and the subsidiaries of Assured Guaranty US Holdings had no indebtedness outstanding.

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The notes and the guarantee are the respective obligations of Assured Guaranty US Holdings and Assured Guaranty only, and their respective operations are conducted through, and substantially all of their consolidated assets are held by, their respective subsidiaries

The notes and the guarantee are the respective obligations of Assured Guaranty US Holdings and Assured Guaranty, and are not guaranteed by any of their respective operating subsidiaries. A substantial portion of our and Assured Guaranty US Holdings' consolidated assets are held by our respective subsidiaries. Accordingly, Assured Guaranty US Holdings' ability to service its debt, including the notes, and our obligation to pay any amounts due under the guarantee of the notes, depend on the results of operations of our respective subsidiaries and upon the ability of such subsidiaries to provide each of us with cash, whether in the form of dividends, loans or otherwise, to pay amounts due on our respective obligations, including the notes and the guarantee. Our and Assured Guaranty US Holdings' subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to make payments on the notes, the guarantee or to otherwise make any funds available for that purpose. In addition, dividends, loans or other distributions to us or Assured Guaranty US Holdings from such subsidiaries may be subject to contractual and other restrictions and are subject to other business considerations.

Upon a successful remarketing of the notes, the terms of your notes may be modified even if you elect not to participate in the remarketing.

When Assured Guaranty US Holdings attempts to remarket the notes, the remarketing agent will agree to use its reasonable efforts to sell the notes included in the remarketing. In connection with the remarketing, Assured Guaranty US Holdings and the remarketing agent may materially change the terms of the notes, including their interest rate, maturity date, optional redemption and interest rate deferral terms. If the remarketing is successful, the modified terms will apply to all the notes, even if they were not included in the remarketing. However, holders of the notes must elect to participate in the remarketing before knowing what the modified terms of the notes will be. You may determine that the revised terms are not as favorable to you as you would deem appropriate.

Assured Guaranty US Holdings may redeem the notes upon the occurrence of a special event.

Assured Guaranty US Holdings has the option to redeem the notes, on not less than 30 days nor more than 60 days prior written notice, in whole but not in part at any time before the earlier of the date of a successful remarketing of the notes underlying the Corporate Units and the purchase contract settlement date, if a special event occurs and continues under the circumstances described in this prospectus supplement, which we call a special event redemption. If Assured Guaranty US Holdings exercises this option to redeem the notes, Assured Guaranty US Holdings will pay the redemption price, as described herein, in cash to the holders of the notes. The redemption price payable to you as a holder of Corporate Units will be distributed to the collateral agent, who in turn will apply a portion of the redemption price to purchase the Treasury portfolio on your behalf, and will remit the remainder of the redemption price, if any, to you, and the Treasury portfolio will be substituted for the notes as collateral to secure your obligations under the purchase contracts related to the Corporate Units. If your notes do not underlie Corporate Units, you will receive the redemption payment directly. There can be no assurance as to the effect on the market price for the Corporate Units if we substitute the Treasury portfolio as collateral in place of any notes so redeemed. A special event redemption will be a taxable event to the holders of the notes, including applicable ownership interests in the notes, see "Material Tax Considerations U.S. Federal Income Tax Consequences The Notes Sale, Exchange or Other Taxable Disposition of Notes" in this prospectus supplement.

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The U.S. federal income tax consequences of the purchase, ownership and disposition of the Equity Units are unclear

Although the Internal Revenue Service ("IRS") has issued a Revenue Ruling addressing the treatment of units similar to the Equity Units, no statutory, judicial or administrative authority directly addresses all aspects of the treatment of the Equity Units or instruments similar to the Equity Units for U.S. federal income tax purposes, and no assurance can be given that the conclusions in the Revenue Ruling would apply to the Equity Units. As a result, the U.S. federal income tax consequences of the purchase, ownership and disposition of Equity Units are not entirely clear. For a further discussion, see "Material Tax Considerations U.S. Federal Income Tax Consequences Taxation of Equity Units" in this prospectus supplement.

Special U.S. federal income tax rules will apply to note holders that are U.S. Persons.

While the matter is not free from doubt, because of the manner in which the interest rate on the notes is reset, we intend to treat, and by purchasing an Equity Unit, each holder agrees to treat, the notes as contingent payment debt instruments. Special U.S. federal income tax rules apply to contingent payment debt obligations. Under these rules, a U.S. Person (as defined below) will be required to accrue interest income on the notes regardless of whether the U.S. Person uses the cash or accrual method of tax accounting and may be required to include interest in taxable income in excess of interest payments actually received in a taxable year.

In addition, any gain on a disposition of a note or a Corporate Unit to the extent such gain is allocable to the applicable ownership interest in notes prior to the date six months after the interest rate on the notes is reset will generally be treated as ordinary interest income; thus, the ability to offset such interest income with a loss, if any, on a purchase contract may be limited. For a further discussion, see "Material Tax Considerations U.S. Federal Income Tax Consequences The Notes" in this prospectus supplement.

Fluctuations in interest rates may give rise to arbitrage opportunities, which could affect the trading price of the Corporate Units, Treasury Units, the notes and our common shares.

Fluctuations in interest rates may give rise to arbitrage opportunities based upon changes in the relative value of the common shares underlying the purchase contracts and of the other components of the Equity Units. Any such arbitrage could, in turn, affect the trading prices of the Corporate Units, Treasury Units, the notes and our common shares.

The purchase contract and pledge agreement will not be qualified under the Trust Indenture Act and the obligations of the purchase contract agent are limited.

The purchase contract and pledge agreement among us, AGUSH, the purchase contract agent and the collateral agent, custodial agent and securities intermediary will not be qualified as an indenture under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and the purchase contract agent will not be required to qualify as a trustee under the Trust Indenture Act. Thus, you will not have the benefit of the protection of the Trust Indenture Act with respect to the purchase contract and pledge agreement, the purchase contract agent or the collateral agent, custodial agent and securities intermediary. The notes constituting a part of the Corporate Units will be issued pursuant to an indenture, which will be qualified under the Trust Indenture Act. Accordingly, if you hold Corporate Units, you will have the benefit of the protections of the Trust Indenture Act only to the extent applicable to the applicable ownership interests in notes included in the Corporate Units.

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The protections generally afforded the holder of a security issued under an indenture that has been qualified under the Trust Indenture Act include:

- disqualification of the indenture trustee for "conflicting interests," as defined under the Trust Indenture Act;
- provisions preventing a trustee that is also a creditor of the issuer from improving its own credit position at the expense of the security holders immediately prior to or after a default under such indenture; and
- the requirement that the indenture trustee deliver reports at least annually with respect to certain matters concerning the indenture trustee and the securities.

If your applicable ownership interest in the Treasury portfolio or your Treasury securities do not produce at maturity proceeds in an amount at least equal to the aggregate purchase price for the common shares to be issued pursuant to the purchase contracts underlying your Equity Units, you will be obligated to pay the amount of the deficiency.

In the event that the Treasury portfolio purchased with the proceeds of a successful remarketing or in connection with a special event redemption or the Treasury securities you substitute for notes to create Treasury Units do not produce at maturity cash in an amount at least equal to the aggregate purchase price for the common shares to be issued pursuant to the purchase contracts underlying your Equity Units, you will be obligated to pay the amount of the deficiency. Such a deficiency could occur in either case only if (i) due to a calculation error, an insufficient amount or incorrect issue of Treasury securities are purchased or (ii) the U.S. government defaults on its obligation to pay the principal on the Treasury securities at maturity. See "Description of the Purchase Contracts Deficiencies."

Risks Related to our Common Shares

The market price of our common shares may be volatile, which could cause the value of your investment to decline.

The market price of our common shares has experienced, and may continue to experience, significant volatility. Numerous factors, including many over which we have no control, may have a significant impact on the market price of our common shares. These risks include those described or referred to in this "Risk Factors" section and in the other documents incorporated herein by reference as well as, among other things:

- our operating and financial performance and prospects;
- our ability to repay our debt;
- our access to financial and capital markets to refinance our debt or replace our existing senior secured credit and receivables-backed facilities;
- investor perceptions of us and the industry and markets in which we operate;
- our dividend policy;
- future sales of equity or equity-related securities;

- changes in earnings estimates or buy/sell recommendations by analysts; and

- general financial, domestic, international, economic and other market conditions.

In addition, the stock market in recent years has experienced extreme price and trading volume fluctuations that often have been unrelated or disproportionate to the operating performance of individual companies. These broad market fluctuations may adversely affect the price of our common shares, regardless of our operating performance.

The common shares are equity securities and are subordinate to our existing and future indebtedness.

The common shares are equity interests. This means the common shares will rank junior to all of our indebtedness and to other non-equity claims on us and our assets available to satisfy claims on us, including claims in a bankruptcy or similar proceeding. Future indebtedness may restrict payment of dividends on the common shares.

Additionally, unlike indebtedness, where principal and interest customarily are payable on specified due dates, in the case of common shares, dividends are payable only when and if declared by our board of directors or a duly authorized committee of the board. Further, the common shares place no restrictions on our business or operations or on our ability to incur indebtedness or engage in any transactions, subject only to the voting rights available to stockholders generally.

There may be future sales or other dilution of our equity, which may adversely affect the market price of our common shares.

There may be future sales or other dilution of our equity, which may adversely affect the market price of our common shares. The market price of our common shares could decline as a result of sales of a large number of common shares or similar securities in the market after this offering or the perception that such sales could occur.

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USE OF PROCEEDS

The net proceeds from the sale of the Equity Units offered hereby (after deducting underwriting discounts and commission and estimated expenses of the offering) are estimated to be approximately $ million ($ million if the underwriters' option to purchase additional Equity Units to cover overallotments, if any, is exercised in full).

The net proceeds from the sale of the common shares offered in the Concurrent Common Share Offering (after deducting underwriting discounts and commissions and estimated expenses of the offering) are estimated to be approximately $ million ($ million if the underwriters' option to purchase additional common shares to cover overallotments, if any, is exercised in full).

We intend to use $363.8 million of the net proceeds of the Concurrent Common Share Offering to pay the cash purchase price for the Acquisition. We intend to use the remaining net proceeds from the Concurrent Common Share Offering and the net proceeds from this offering to pay cash in lieu of Assured common shares, including Excess Shares, that we would otherwise deliver as part of the purchase price for the Acquisition. Under the Purchase Agreement, we may elect to pay $8.10 per Assured common share in cash in lieu of up to 22,283,951 Assured common shares that we would otherwise deliver as part of the purchase price. Pending such uses, we intend to invest the net proceeds in short-term, interest bearing securities.

We currently intend to use the proceeds from the settlement of the purchase contracts to repay debt as soon as practicable following such settlement, and we have agreed not to use such proceeds to repurchase our common shares.

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CAPITALIZATION

The following table sets forth, as of March 31, 2009, our consolidated long-term debt and shareholders' equity on an:

actual basis;

as adjusted basis to give effect to the Acquisition, the issuance and sale of our common shares in the Concurrent Common Share Offering and the use of the net proceeds to pay the cash purchase price for the Acquisition and to pay cash in lieu of Assured common shares, including Excess Shares, that we would otherwise deliver as part of the purchase price for the Acquisition as described under "Use of Proceeds"; and

as further adjusted basis to give effect to the issuance of the Equity Units in this offering and to pay cash in lieu of Assured common shares, including Excess Shares, that we would otherwise deliver as part of the purchase price for the Acquisition.

This table assumes that the underwriters' option to purchase additional Equity Units in this offering and to purchase additional common shares in the Concurrent Common Shares Offering are not exercised. You should read this table in conjunction with our and FSAH's consolidated financial statements and related notes thereto, which are incorporated by reference.

	At March 31, 2009		
	Actual	As Adjusted	As Further Adjusted
	(dollars in thousands)		
Long-term debt:			
Assured Guaranty US Holdings Inc.			
7% Senior Notes due 2034	$ 197,452	$ 197,452	$ 197,452
6.40% Series A Enhanced Junior Subordinated Debentures due 2066	149,774	149,774	149,774
Senior notes offered in this offering(1)			
Financial Security Assurance Holdings Ltd.:(2)			
$6^{7}/_{8}$% Quarterly Interest Bonds due 2101		100,000	100,000
6.25% Notes due 2102		230,000	230,000
5.60% Notes due 2103		100,000	100,000
Junior Subordinated Debentures due 2066		300,000	300,000
Total long-term debt	347,226	1,077,226	
Shareholders' equity:			
Common stock ($0.01 par value, 500,000,000 shares authorized, 90,123,385 shares outstanding actual, shares outstanding as adjusted)	901		
Preferred stock			
Additional paid-in capital	1,284,093		
Retained earnings	738,831	738,831	738,831
Accumulated other comprehensive income	1,768	1,768	1,768
Treasury stock at cost			
Total shareholders' equity	2,025,593		
Total capitalization	$ 3,102,819	$	$

(1) The as further adjusted amount assumes that % of the issue price of an Equity Unit is allocable to the ownership interest in the note and % is allocable to the purchase contract.

(2) Amounts presented are at par value. Subsequent to the closing of the Acquisition, these amounts will be presented at fair value in our financial statements.

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PRICE RANGE OF COMMON SHARES AND DIVIDEND POLICY

Our common shares have been listed for trading on the NYSE under the symbol "AGO" since April 22, 2004. The following table sets forth on a per share basis the high and low sales prices for consolidated trading in our common shares as reported on the NYSE and dividends for the quarters indicated.

	Price Range of Common Shares		Dividend Paid per Share
	High	**Low**	
Fiscal Year Ended 2007			
First Quarter	$28.40	$25.90	$ 0.04
Second Quarter	31.99	26.65	0.04
Third Quarter	30.22	21.32	0.04
Fourth Quarter	29.46	13.34	0.04
Fiscal Year Ended 2008			
First Quarter	$26.98	$16.53	$ 0.045
Second Quarter	27.58	17.94	0.045
Third Quarter	20.64	7.95	0.045
Fourth Quarter	16.65	5.49	0.045
Fiscal Year Ended 2009			
First Quarter	$12.79	$ 2.69	$ 0.045
Second Quarter (through June 12, 2009)	16.07	6.48	0.045

The closing price of our common shares on the NYSE on June 12, 2009 was $14.89 per share.

As of June 12, 2009, there were approximately 15,000 holders of record of our common shares. This number excludes beneficial owners of common shares held in "street name."

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SELECTED HISTORICAL FINANCIAL AND OTHER DATA OF ASSURED GUARANTY LTD.

The following table sets forth selected historical financial and other data of Assured and, except as otherwise indicated below, is derived from our audited consolidated financial statements and unaudited consolidated financial statements. The interim financial data have been derived from Assured's unaudited financial statements and include, in the opinion of Assured's management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial data. The results for the three-month periods do not necessarily indicate the results to be expected for the full year.

You should read the following information in conjunction with Assured's financial statements and notes thereto and the other financial information included or incorporated by reference in this prospectus supplement and the accompanying prospectus.

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	Three Months Ended March 31,		Year Ended December 31,				
	2009	2008	2008	2007	2006	2005	2004
	(unaudited)						
	(dollars in millions, except per share amounts)						
Statement of Operations Data:							
Net earned premiums(1)	$ 148.4	$ 46.8	$ 261.4	$ 159.3	$ 144.8	$ 139.4	$ 98.7
Net investment income	43.6	36.6	162.6	128.1	111.5	96.8	94.8
Net realized investment (losses) gains	(17.1)	0.6	(69.8)	(1.3)	(2.0)	2.2	12.0
Realized gains and other settlements on credit derivatives	20.6	27.6	117.6	74.0	73.9	57.1	(13.1)
Unrealized gains (losses) on credit derivatives	27.0	(259.6)	38.0	(670.4)	11.8	4.4	137.4
Other income(2)	20.6	8.5	43.4	8.8	0.4	0.2	0.8
Total revenues	243.1	(139.4)	553.2	(301.6)	340.4	300.3	330.5
Loss and loss adjustment expenses (recoveries)(1)	79.8	55.1	265.8	5.8	11.3	(63.9)	(48.2)
Profit commission expense	0.3	1.2	1.3	6.5	9.5	12.9	15.5
Acquisition costs	23.4	11.9	61.2	43.2	45.2	45.4	49.7
Operating expenses	32.3	28.6	83.5	79.9	68.0	59.0	67.8
Interest expense	1.4	0.7	5.7	2.6	2.5	3.7	1.6
Other expense	5.8	5.8	23.3	23.5	13.8	13.5	10.7
Total expenses	143.0	103.4	440.9	161.4	150.4	70.7	97.2
Income (loss) before provision (benefit) for income taxes	100.1	(242.8)	112.3	(463.0)	190.0	229.6	233.3
Provision (benefit) for income taxes	14.6	(73.6)	43.4	(159.8)	30.2	41.2	50.5
Net income (loss)	$ 85.5	$ (169.2)	$ 68.9	$ (303.3)	$ 159.7	$ 188.4	$ 182.8
Earnings (loss) per share:(3)							
Basic	$ 0.94	$ (2.09)	$ 0.78	$ (4.38)	$ 2.15	$ 2.51	$ 2.42
Diluted	$ 0.93	$ (2.09)	$ 0.77	$ (4.38)	$ 2.13	$ 2.50	$ 2.42
Dividends per share	$ 0.045	$ 0.045	$ 0.18	$ 0.16	$ 0.14	$ 0.12	$ 0.06
Balance sheet data (end of period):							
Investments and cash	$ 3,812.3	$ 3,317.0	$ 3,643.6	$ 3,147.9	$ 2,469.9	$ 2,256.0	$ 2,157.9
Prepaid reinsurance premiums	23.7	17.5	18.9	13.5	4.5	9.5	11.8
Total assets	5,588.3	4,062.0	4,555.7	3,762.9	2,931.6	2,689.8	2,689.0
Unearned premium reserves	2,153.3	1,014.2	1,233.7	887.2	631.0	524.6	507.2
Reserves for losses and loss adjustment expenses	222.6	177.7	196.8	125.6	115.9	117.4	217.2
Credit derivative liabilities (assets), net	557.0	881.6	586.8	617.6	(49.0)	(35.8)	(31.3)
Long-term debt	347.2	347.2	347.2	347.1	347.1	197.3	197.4
Total liabilities	3,562.7	2,569.4	2,629.5	2,096.4	1,280.8	1,028.3	1,161.4
Accumulated other comprehensive income	1.8	51.6	2.9	56.6	41.9	45.8	79.0
Shareholders' equity	2,025.6	1,492.7	1,926.2	1,666.6	1,650.8	1,661.5	1,527.6
Book value per share	22.48	18.63	21.18	20.85	24.44	22.22	20.19
Financial Ratios:							
Loss and loss adjustment expense ratio(4)	45.4%	78.1%	81.4%	3.4%	(3.3)%	(35.0)%	(17.0)%
Expense ratio(5)	31.4%	56.1%	38.7%	55.8%	59.2%	58.9%	65.4%
Combined ratio(6)	76.8%	134.2%	120.1%	59.2%	55.9%	23.9%	48.4%
Combined statutory financial information:							
Contingency reserve(7)	$ 770.0	$ 637.0	$ 728.4	$ 598.5	$ 645.8	$ 572.9	$ 491.8
Policyholders' surplus	1,405.0	1,526.0	1,578.4	1,489.9	1,010.0	977.3	906.2
Additional financial guaranty information (end of period)							
Net in-force business (principal and interest)	$ 357,216	$ 329,833	$ 348,816	$ 302,413	$ 180,174	$ 145,694	$ 136,120
Net in-force business (principal only)	237,176	214,876	222,722	200,279	132,296	102,465	95,592

* Some amounts may not add due to rounding.

(1) In May 2008, the Financial Accounting Standards Board issued FAS 163, which requires that we recognize a claim liability prior to an event of default (insured event) when there is evidence that credit deterioration has occurred in an insured financial obligation. FAS 163 also clarifies the methodology to be used for financial guaranty premium revenue recognition and claim liability measurement, as well as requiring expanded disclosures about risk management activities. The provisions of FAS 163 related to premium revenue recognition and claim liability measurement are effective for financial statements issued for fiscal years beginning after December 15, 2008, and all interim periods within those fiscal years. Earlier application of these provisions was not permitted. As a result of the adoption of

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FAS 163, net premiums earned and loss and loss adjustment expenses are not comparable between 2008 and 2009 periods. The expanded risk management activity disclosure provisions of FAS 163 were effective for the third quarter of 2008 and were included in the Company's consolidated financial statements for those periods. FAS 163 will be applied to all existing and future financial guaranty insurance contracts written by the Company. FAS 163 mandates the accounting changes proscribed by the statement be recognized by the Company as a cumulative effect adjustment to retained earnings as of January 1, 2009. The impact of adopting FAS 163 on the Company's balance sheet was included in the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2009, which is incorporated herein by reference.

(2)

Other income for three months ended March 31, 2009 and the years ended December 31, 2008 and 2007 included a change in fair value of $19.7 million, $8.5 million, $42.7 million and $8.3 million related to AGC.'s committed capital securities entered into in April 2005. The change in fair value was $0 in 2006 and 2005.

(3)

Effective January 1, 2009, the Company adopted FSP, which clarifies that share-based payment awards that entitle their holders to receive nonforfeitable dividends or dividend equivalents before vesting should be considered participating securities and shall be included in the calculation of basic and diluted EPS. Upon retrospective adoption of the FSP, Assured decreased previously reported basic loss per share by $0.02 and $0.08 for the three months ended March 31, 2008 and the year ended December 31, 2007, respectively, and decreased previously reported basic EPS by $0.03, $0.04 and $0.02 for the years ended December 31, 2006, 2005 and 2004, respectively. Upon retrospective adoption of the FSP, Assured decreased previously reported diluted loss per share by $0.02 and $0.08 for the three months ended March 31, 2008 and the year ended December 31, 2007, respectively, and decreased previously reported diluted EPS by $0.02, $0.03 and $0.02 for the years ended December 31, 2006, 2005 and 2004, respectively. There was no impact on both previously reported basic and diluted EPS for 2008.

(4)

Loss and loss adjustment expense ratio, which is a non-GAAP financial measure, is defined as loss and loss adjustment expenses (recoveries) plus the Company's net estimate of credit derivative incurred case and portfolio loss and loss adjustment expense reserves, which is included in unrealized gains (losses) on credit derivatives, plus net credit derivative losses (recoveries), which is included in realized gains and other settlements on credit derivatives, divided by net earned premiums plus net credit derivative premiums received and receivable, which is included in realized gains and other settlements on credit derivatives.

(5)

Expense ratio is calculated by dividing the sum of ceding commissions expense (income), profit commission expense, acquisition costs and operating expenses by net earned premiums plus net credit derivative premiums received and receivable, which is included in realized gains and other settlements on credit derivatives.

(6)

Combined ratio, which is a non-GAAP financial measure, is the sum of the loss and loss adjustment expense ratio and the expense ratio.

(7)

Under U.S. statutory accounting principles, financial guaranty and mortgage guaranty insurers are required to establish contingency reserves based on a specified percentage of premiums. A contingency reserve is an additional liability established to protect policyholders against the effects of adverse economic developments or cycles or other unforeseen circumstances.

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SELECTED HISTORICAL FINANCIAL AND OTHER DATA OF FINANCIAL SECURITY ASSURANCE HOLDINGS LTD.

The following table sets forth selected historical financial data for FSAH. The annual financial data have been derived from FSAH's audited financial statements. The interim financial data have been derived from FSAH's unaudited financial statements and include, in the opinion of FSAH's management, all adjustments (consisting only of normal recurring adjustments and entries required to record the February 2009 Risk Transfer Transaction) necessary for a fair presentation of the financial data. The results for the three-month periods do not necessarily indicate the results to be expected for the full year. Furthermore, FSAH's financial statements for periods prior to December 31, 2008 include FSAH's GIC operations, which were the subject of the February 2009 Risk Transfer Transaction, and FSAH's other Financial Products businesses which we are not acquiring.

You should read the following information in conjunction with FSAH's financial statements and notes thereto and other financial information included or that are incorporated by reference into this prospectus supplement and the accompanying prospectus.

	Three Months Ended March 31,		Year ended December 31,				
	2009	2008	2008	2007	2006	2005	2004
	(unaudited)		(dollars in millions)				
Summary of Operations Data(1):							
Revenues							
Net premiums earned(2)	$ 78.5	$ 72.9	$ 376.6	$ 317.8	$ 301.5	$ 314.9	$ 325.9
Net investment income from general investment portfolio	62.1	64.8	264.2	236.7	218.9	200.8	172.1
Net change in fair value of credit derivatives:							
Realized gains (losses) and other settlements	(45.8)	36.2	126.9	102.8	87.2	89.2	69.1
Net unrealized gains (losses)	573.2	(489.1)	(745.0)	(642.6)	31.8	11.1	56.4
Net change in fair value of credit derivatives	527.4	(453.0)	(618.1)	(539.8)	119.0	100.3	125.5
Net interest income from financial products segment	34.4	208.8	647.4	1,079.6	858.2	487.9	194.7
Net realized gains (losses) from financial products segment	(278.4)		(8,644.2)	1.9	0.1	(7.5)	2.2
Net realized and unrealized gains (losses) on derivative instruments	(180.5)	430.8	1,424.5	62.8	131.4	(183.6)	272.9
Net unrealized gains (losses) on financial instruments at fair value	425.4	(411.4)	130.4	14.0	3.6		
Expenses							
Losses and loss adjustment expenses(2)	350.9	300.4	1,877.7	31.6	23.3	25.4	20.6
Foreign exchange (gains) losses from financial products segment	(16.6)	13.3	1.7	138.5	159.4	(189.8)	91.3
Net interest expense from financial products segment	127.4	239.3	794.3	989.2	768.7	491.6	267.6
Income (loss) before provision (benefit) for income taxes and equity in losses of unconsolidated subsidiaries	165.3	(685.4)	(9,315.5)	(181.9)	522.8	465.1	580.5
Provision (benefit) for income taxes	153.7	(263.8)	(872.4)	(116.2)	150.7	126.9	110.6
Net income (loss)	11.5	(421.6)	(8,443.2)	(65.7)	372.2	337.3	466.0
Less: noncontrolling interest					(52.0)	11.2	87.4
Net income (loss) of FSAH and subsidiaries	$ 11.5	$ (421.6)	$ (8,443.2)	$ (65.7)	$ 424.2	$ 326.1	$ 378.6

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	Three Months Ended March 31,		Year ended December 31,				
	2009	2008	2008	2007	2006	2005	2004
	(unaudited)		(dollars in millions)				
Balance Sheet Data(1)(end of period):							
Assets							
General investment portfolio, available for sale	$ 5,872.3	$ 5,684.2	$ 5,935.5	$ 5,191.9	$ 4,872.4	$ 4,595.5	$ 4,281.8
Financial products segment investment portfolio	805.0	16,157.8	10,302.0	19,213.2	17,537.1	14,002.0	9,546.7
Assets acquired in refinancing transactions	182.8	213.5	166.6	229.3	337.9	467.9	749.2
Prepaid reinsurance premiums	1,385.9	1,129.2	1,011.9	1,119.6	999.5	859.4	754.3
Note receivable from affiliate(3)	13,576.3						
Total assets	24,891.3	27,203.1	20,258.1	28,318.7	25,764.7	22,000.1	17,079.0
	Three Months Ended March 31,		**Year ended December 31,**				
	2009	**2008**	**2008**	**2007**	**2006**	**2005**	**2004**
	(unaudited)		**(dollars in millions)**				
Liabilities and shareholders' equity							
Deferred premium revenue	3,991.4	3,002.7	3,044.7	2,870.6	2,621.5	2,339.0	2,063.8
Losses and loss adjustment expenses	2,017.7	526.3	1,779.0	274.6	228.1	205.7	179.9
Financial products segment debt	14,180.3	20,888.9	16,432.3	21,400.2	18,349.7	14,947.1	10,444.1
Notes payable	730.0	730.0	730.0	730.0	730.0	430.0	430.0
Total liabilities	22,609.3	27,158.5	25,442.3	26,740.6	23,042.1	18,996.8	14,289.1
Total shareholders' equity (deficit) of FSA Holdings and subsidiaries	2,281.7	44.3	(5,184.5)	1,577.8	2,722.3	2,822.9	2,611.3
Noncontrolling interest	0.3	0.3	0.3	0.3	0.3	180.4	178.6
Shareholders' equity (deficit)	2,282.0	44.6	(5,184.2)	1,578.1	2,722.6	3,003.3	2,789.9
Additional Data:							
Qualified statutory capital(4)	$ 1,980.4	$ 3,012.9	$ 1,992.4	$ 2,703.1	$ 2,554.1	$ 2,417.5	$ 2,280.9
Total claims-paying resources(5)	7,357.4	7,483.3	7,713.1	6,738.8	6,055.8	5,675.8	5,230.6
Total dividends		33.6	33.6	122.0	530.0	71.1	22.9
Exposure:							
Net par outstanding	$ 417,306	$ 414,128	$ 408,530	$ 406,457	$ 359,560	$ 337,483	$ 317,743
Net insurance in force (principal and interest)	616,364	614,268	611,448	598,306	531,421	480,185	444,512

(1) Prepared in accordance with accounting principles generally accepted in the United States of America.

(2) In May 2008, the Financial Accounting Standards Board issued FAS 163, which requires that FSAH recognize a claim liability prior to an event of default (insured event) when there is evidence that credit deterioration has occurred in an insured financial obligation. FAS 163 also clarifies the methodology to be used for financial guaranty premium revenue recognition and claim liability measurement, as well as requiring expanded disclosures about risk management activities. The provisions of FAS 163 related to premium revenue recognition and claim liability measurement are effective for financial statements issued for fiscal years beginning after December 15, 2008, and all interim periods within those fiscal years. Earlier application of these provisions was not permitted. As a result of the adoption of FAS 163, net premiums earned and loss and loss adjustment expenses are not comparable between 2008 and 2009 periods. The expanded risk management activity disclosure provisions of FAS 163 were effective for the third quarter of 2008 and were included in FSAH's consolidated financial statements for those periods. FAS 163 will be applied to all existing and future financial guaranty insurance contracts written by FSAH. FAS 163 mandates the accounting changes proscribed by the statement be recognized by FSAH as a cumulative effect adjustment to retained earnings as of January 1, 2009. The impact of adopting FAS 163 on FSAH's balance sheet was included in FSAH's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, which is incorporated herein by reference.

(3) The GIC subsidiaries, unlike FSA Asset Management LLC ("FSAM"), remain part of FSAH's consolidated financial statements, which means that the GICs issued to third parties and the GIC Subsidiaries' note receivable from FSAM of $13.6 billion (the "Note Receivable from Affiliate") represent the liabilities and assets of the GIC business in FSAH's consolidated financial statements. The Note Receivable from Affiliate is carried at net realizable value, which is

periodically evaluated for impairment. Prior to February 24, 2009, the Note Receivable from Affiliate was eliminated in consolidation.

(4) Amounts are statutory data for FSA and therefore differ from comparable GAAP amounts.

(5) Total claims-paying resources is used by Moody's to evaluate adequacy of capital resources and credit ratings. Moody's uses its judgment in making adjustments to some of the measures. This term represents the sum of statutory capital, statutory unearned premium reserve, present value of future net installment premiums, statutory loss reserve, credit available under standby line of credit facility and money market committed preferred trust securities.

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UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION

The following unaudited pro forma combined condensed financial statements of Assured have been prepared to assist you in your analysis of the financial effects of the Acquisition. The unaudited pro forma combined condensed financial statements were prepared using the historical consolidated financial statements of Assured and FSAH. This information should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and accompanying notes of Assured and FSAH included in or incorporated by reference into this prospectus supplement.

The accompanying unaudited pro forma combined condensed financial statements give effect to the transfer by FSAH to Dexia Holdings of the stock of the Financial Products Companies as well as the transfer of the remaining liquidity and credit risk of the GIC operations to Dexia, which we refer to in the following tables as the "FP Business Distribution," and the Acquisition, assuming a purchase price of $541.5 million in cash and the issuance of 22,283,951 Assured common shares, using the purchase method of accounting. The pro forma adjustments related to the Acquisition are preliminary and do not reflect the final allocation of the excess of the purchase price over the net book value of the assets of FSAH, as the process to assign a fair value to the various tangible and intangible assets acquired has not been completed. Final adjustments are likely to result in a materially different purchase price adjustment, debt components and allocation of the purchase price, which will affect the value assigned to the tangible or intangible assets and amount of interest expense and depreciation and amortization expense recorded in the statement of operations. The effect of the changes to the statements of operations will depend on the final purchase price, the nature and amount of debt issued and assumed and the nature and amount of the final purchase price allocation and could be material.

Assured and FSAH are in the process of reviewing their accounting and reporting policies and, as a result of this review, it may be necessary to adjust FSAH's financial statements to conform to the accounting policies of Assured. While some adjustments have been included in the unaudited pro forma combined condensed financial information included in this prospectus supplement, further adjustments may be necessary upon completion of this review. Final determination of financial statement presentation will be completed upon consummation of the Acquisition. Additionally, the historical financial statements and the pro forma adjustments were prepared under US GAAP. Effective January 1, 2009, Assured and FSAH adopted FAS 163, which significantly changed the accounting for financial guaranty insurance.

The pro forma financials do not reflect revenue opportunities and cost savings that we expect to realize after the Acquisition. We cannot assure you with respect to the estimated revenue opportunities and operating cost savings that are expected to be realized as a result of the Acquisition. The pro forma financial information also does not reflect non-recurring charges related to integration activity or exit costs that may be incurred by Assured or FSAH in connection with the Acquisition.

The unaudited pro forma combined condensed balance sheet assumes that the transactions of FSAH took place on March 31, 2009. The unaudited pro forma combined condensed statements of operations for the year ended December 31, 2008 and the three months ended March 31, 2009 assume that the transaction took place the first day of the period presented (i.e., January 1, 2008). Reclassifications have been made to the statements of operations of FSAH to conform it to Assured's financial statement classifications.

The pro forma financial information is based on the estimates and assumptions set forth in the notes to such information. The pro forma financial information is preliminary and is being furnished solely for information purposes and, therefore, is not necessarily indicative of the combined results of operations or financial position that might have been achieved for the dates or periods indicated, nor is it necessarily indicative of the results of operations or financial position that may occur in the future.

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Assured Guaranty Ltd. and Subsidiaries
Unaudited Pro Forma Combined Condensed Balance Sheet
As of March 31, 2009
(dollars in thousands)

	Assured As Reported	FSA As Reported	Pro Forma Adjustments for Carve Out of Financial Products Segment	Notes	Pro Forma Adjustments For Acquisition	Notes	Pro Forma Combined
Assets							
General investment portfolio, available for sale:							
Fixed maturity securities, at fair value	$ 3,176,178	$ 5,383,175	$		$		$ 8,559,353
Equity securities, at fair value		573					573
Short-term investments, at cost which approximates fair value	616,834	488,561					1,105,395
Financial products segment investment portfolio:							
Fixed maturity securities, at fair value		796,129	(796,129)	(1)			
Short-term investments, at cost which approximates fair value		8,910	(8,910)	(1)			
Trading portfolio at fair value							
Assets acquired in refinancing transactions		182,812					182,812
Total investments	**3,793,012**	**6,860,160**	**(805,039)**				**9,848,133**
Cash and cash equivalents	19,328	55,280			(30,316)	(10)	44,292
Deferred acquisition costs	382,525	297,562			(297,562)	(3)	382,525
Note receivable from affiliate		13,576,303	(13,576,303)	(1)			
Prepaid reinsurance premiums	23,655	1,385,908			(406,086)	(2)	1,003,476
Premium receivable	748,414	815,819					1,564,233
Reinsurance recoverable on ceded losses	7,763	325,812			(7,192)	(2)	326,383
Credit derivative assets	149,798	126,385					276,183
Deferred income taxes	117,560	580,900	31,443	(1)	487,516	(11)	1,217,419
VIE assets					1,147,605	(5)	1,147,605
Other assets	346,273	867,200	(432,301)				781,172
Total assets	**$ 5,588,328**	**$ 24,891,329**	**$ (14,782,200)**		**$ 893,964**		**$ 16,591,421**

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	Assured As Reported	FSA As Reported	Pro Forma Adjustments for Carve Out of Financial Products Segment	Notes	Pro Forma Adjustments For Acquisition	Notes	Pro Forma Combined
Liabilities and shareholders' equity							
Liabilities							
Unearned premium reserves	$ 2,153,312	$ 3,991,368	$		$ (406,086)	(2)	$ 7,465,338
					1,726,744	(6)	
Reserves for losses and loss adjustment expenses	222,555	2,017,675		(1)	(7,192)	(2)	2,233,038
Senior Notes/Notes Payable	197,452	430,000			(391,403)		236,049
Series A Enhanced Junior Subordinated Debentures	149,774	300,000			(240,000)		209,774
Goodwill					62,189	(8)	
					(62,189)	(9)	
Credit derivative liabilities	706,768	816,633					1,523,401
Financial products segment debt		14,180,258	(14,180,258)	(1)			
VIE liabilities					1,147,605	(5)	1,147,605
Mandatory Convertible Equity Units					150,000	(10)	150,000
Other liabilities and minority interest	132,874	873,365	(160,796)	(1)			845,443
Total liabilities	**3,562,735**	**22,609,299**	**(14,341,054)**		**1,979,667**		**13,810,647**
Commitments and contingencies							
Shareholders' equity							
Common stock	901	335			(335)	(7)	1,488
					587	(10)	
Additional paid-in capital	1,284,093	9,365,755	(7,754,971)	(1)	(1,610,784)	(7)	1,976,499
					692,406	(10)	
Retained earnings	738,831	(7,089,937)	7,316,746	(1)	(226,809)	(7)	801,020
					62,194	(9)	
Purchase price							
Non-controlling interest		250	(250)	(1)			
Accumulated other comprehensive income (loss)	1,768	6,712	(2,671)	(1)	(4,041)	(7)	1,768
Deferred equity compensation		13,052			(13,052)	(7)	
Less treasury stock at cost		(14,137)			14,137	(7)	
Total shareholders' equity	**2,025,593**	**2,282,030**	**(441,146)**		**(1,085,703)**		**2,780,774**
Total liabilities and shareholders' equity	**$ 5,588,328**	**$ 24,891,329**	**$ (14,782,200)**		**$ 893,964**		**$ 16,591,421**

See accompanying notes to unaudited pro forma combined condensed financial statements, including Note 2 for an explanation of the preliminary pro forma adjustments.

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Assured Guaranty Ltd. and Subsidiaries
Unaudited Pro Forma Combined Condensed Statements of Operations
For the Year Ended December 31, 2008
(dollars in thousands, except per share amounts)

	Assured As Reported	FSAH As Reported	Pro Forma Adjustments for Carve Out of Financial Products Segment	Notes	Pro Forma Adjustments For Acquisition	Notes	Pro Forma Combined
Revenues							
Net earned premiums	$ 261,398	$ 376,573	$		$ 158,700	(b)	$ 796,671
Net investment income	162,558	264,181					426,739
Net realized investment losses	(69,801)	(6,669)					(76,470)
Change in fair value of credit derivatives							
Realized gains and other settlements on credit derivatives	117,589	126,891					244,480
Unrealized gains (losses) on credit derivatives	38,034	(744,963)					(706,929)
Net change in fair value of credit derivatives	155,623	(618,072)					(462,449)
Net interest income from financial products segment		647,366	(647,366)	(a)			
Net realized (losses) gains from financial products segment		(8,644,183)	8,644,183	(a)			
Net realized and unrealized gains (losses) on derivative instruments		1,424,522	(1,424,237)	(a)			285
Net unrealized gains (losses) on financial instruments at fair value		130,363	(47,563)	(a)			82,800
Income from assets acquired in refinancing transactions		11,154					11,154
Other income	43,410	(16,199)	69	(a)			27,280
Total revenues	**553,188**	**(6,430,964)**	**6,525,086**		**158,700**		**806,010**
Expenses							
Loss and loss adjustment expenses	265,762	1,877,699					2,143,461
Profit commission expense	1,336						1,336
Acquisition costs	61,249	65,700			(65,700)		61,249
Other operating expenses	83,493	98,871	(43,241)	(a)			139,123
Foreign exchange losses (gains) from financial products segment		1,652	(1,652)	(a)			
Interest expense	23,283	46,335	12,120	(a)	6,314	(c)	103,052
					15,000	(e)	
Net interest expense from financial products segment		794,308	(794,308)	(a)			
Other expense	5,734						5,734
Total expenses	**440,857**	**2,884,565**	**(827,081)**		**(44,386)**		**2,453,955**
Income (loss) before provision (benefit) for income taxes	112,331	(9,315,529)	7,352,167		203,086		(1,647,945)
Provision (benefit) for income taxes	43,448	(872,359)	182,688	(a)	71,080		(575,143)
Net (loss)	**$ 68,883**	**$ (8,443,170)**	**$ 7,169,479**		**$ 132,006**		**$ (1,072,802)**

Net loss per diluted share	$	(7.78)

See accompanying notes to unaudited pro forma combined condensed financial statements, including Note 2 for an explanation of the preliminary pro forma adjustments.

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Assured Guaranty Ltd. and Subsidiaries
Unaudited Pro Forma Combined Condensed Statements of Operations
For the Quarter Ended March 31, 2009
(dollars in thousands, except per share amounts)

	Assured As Reported	FSA As Reported	Pro Forma Adjustments for Carve Out of Financial Products Segment	Notes	Pro Forma Adjustments For Acquisition	Notes	Pro Forma Combined
Revenues							
Net earned premiums	$ 148,446	$ 78,523	$		$ 36,663	(b)	$ 263,632
Net investment income	43,601	62,117					105,718
Net realized investment losses	(17,110)	(5,922)					(23,032)
Change in fair value of credit derivatives							
Realized gains and other settlements on credit derivatives	20,579	(45,754)					(25,175)
Unrealized (losses) gains on credit derivatives	26,982	573,194					600,176
Net change in fair value of credit derivatives	47,561	527,440					575,001
Net interest income from financial products segment		34,355	(34,355)	(a)			
Net realized gains (losses) from financial products segment		(278,359)	278,359	(a)			
Interest income on note receivable from affiliate		35,447	(35,447)	(a)			
Net realized and unrealized gains (losses) on derivative instruments		(180,483)	180,479	(a)			(4)
Net unrealized gains (losses) on financial instruments at fair value		425,356	(386,637)	(a)			38,719
Income from assets acquired in refinancing transactions		2,172					2,172
Other income	20,568	(14,743)					5,825
Total revenues	**243,066**	**685,903**	**2,399**		**36,663**		**968,031**
Expenses							
Loss and loss adjustment expenses	79,754	350,858					430,612
Profit commission expense	255						255
Acquisition costs	23,421	8,999			(8,999)	(f)	23,421
Other operating expenses	32,318	37,435	(8,319)	(a)			61,434
Foreign exchange (gains) losses from financial products segment		(16,588)	16,588	(a)			
Interest expense	5,821	12,510	1,603	(a)	1,579	(c)	25,263
					3,750	(e)	
Net interest expense from financial products segment		127,422	(127,422)	(a)			
Other expense	1,400						1,400
Total expenses	**142,969**	**520,636**	**(117,550)**		**(3,670)**		**542,385**

(Loss) income before (benefit) provision for income taxes	100,097	165,267	119,949		40,334		425,647
(Benefit) provision for income taxes	14,608	153,722	5,913	(a)	14,117	(d)	188,360
Net income	**$ 85,489**	**$ 11,545**	**$ 114,036**		**$ 26,217**		**$ 237,287**
Net income per diluted share							$ 1.68

See accompanying notes to unaudited pro forma combined condensed financial statements, including Note 2 for an explanation of the preliminary pro forma adjustments.

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Assured Guaranty Ltd.
Notes to Unaudited Pro Forma Combined Condensed Financial Statements

Note 1 Basis of Pro Forma Presentation

The unaudited pro forma combined condensed balance sheet data shows the estimated effects of the Acquisition as if it had occurred on March 31, 2009. The unaudited pro forma combined condensed statements of operations data for the year ended December 31, 2008 and the three months ended March 31, 2009 show the estimated effects of the Acquisition as if it had occurred on the first day of the periods presented (*i.e.*, January 1, 2008).

The Carve Out of Financial Products Segment and Adjustments For Acquisition columns represent adjustments to present the historic consolidated financial statements of Assured and FSAH to conform to the preliminary presentation of such information for the combined entity as discussed below. For purposes of identifying the transactions that give rise to the changes on the financial statements, numerical references are provided to reflect where balances have been adjusted.

Assured and FSAH are in the process of reviewing their accounting and reporting policies and, as a result of this review, it may be necessary to adjust FSAH's financial statements to conform to the accounting policies of Assured. While some adjustments have been included in the unaudited pro forma combined condensed financial information included in this prospectus supplement, further adjustments may be necessary upon completion of this review. Final determination of financial statement presentation will be completed upon consummation of the Acquisition. Additionally, the historical financial statements and the pro forma adjustments were prepared under US GAAP. Effective January 1, 2009, Assured and FSAH adopted FAS 163, which significantly changed the accounting for financial guaranty insurance.

Historically, Assured and FSAH engaged in reinsurance transactions together. The effects of material intercompany transactions have been eliminated from the accompanying unaudited pro forma combined financial information.

The pro forma adjustments reflect the payment of $541.5 million in cash and issuance of 22,283,951 Assured common shares to Dexia Holdings. The pro forma adjustments assume funds for the $541.5 million cash payment were obtained from the issuance of an additional 26,863,667 Assured common shares to the public at a purchase price of $14.89 per share, the closing price of the Company's stock on June 12, 2009, plus the issuance of $150 million of equity units.

The Acquisition will be accounted for using the purchase method of accounting effective on January 1, 2009 in accordance with FAS No. 141, *Business Combinations,* as revised in 2007 ("FAS 141R"). Assured will be the acquiring entity for financial reporting purposes. Under the purchase method of accounting, the acquisition price will be allocated to the tangible and intangible assets and liabilities assumed of the acquired entity based on their estimated fair values, with any excess being recognized as goodwill and any deficit being recognized as an extraordinary gain to net income in the first reporting period after the deal closes. Costs of the Acquisition are expensed in the period in which the expenses are incurred.

In addition, as explained in more detail in the accompanying notes to the unaudited pro forma combined condensed financial statements, the resulting extraordinary gain reflected in the unaudited pro forma combined condensed financial statements is subject to adjustment. The adjustments included in these unaudited pro forma combined condensed financial statements are preliminary and may be revised. Based on the preliminary adjustments and allocation of purchase price, the fair value of FSAH's pro forma net assets at March 31, 2009 exceeds the purchase price by $62.2 million. This results in negative goodwill. Any negative goodwill will be recognized as an extraordinary gain in the combined results of operations in the first reporting period subsequent to consummation of the Acquisition. After completing a fair value analysis of FSAH's assets and liabilities as of the closing date, the final allocation of negative goodwill to nonfinancial assets and the amount of the extraordinary gain will be determined. The final purchase price allocation and purchase accounting adjustments may be materially different from the unaudited pro forma adjustments presented in the document.

Note 2 Unaudited Pro Forma Adjustments

Unaudited Pro Forma Condensed Consolidated Balance Sheet

Carve Out of Financial Products Segment

(1) Adjustment to carve out amounts attributable to the Financial Products Companies from consolidated FSAH balances. Under the Purchase Agreement, we have agreed to acquire FSAH. Assured is not acquiring the Financial Products Companies. Assured expects FSAH to distribute certain of the Financial Products Companies to Dexia Holdings or one of its affiliates. Under the Purchase Agreement, Assured and Dexia Holdings have agreed to negotiate a number of agreements pursuant to which Dexia Holdings would guarantee or otherwise take responsibility for the assets and liabilities of the financial products business. This pro forma adjustment shows the estimated effects of these agreements, which will be entered into at the closing of the Acquisition.

Adjustments for Acquisition

(2) Adjustment to eliminate amounts attributable to reinsurance activity between Assured and FSAH entities.

(3) Adjustment to write off FSAH deferred acquisition costs as part of purchase GAAP accounting.

(4) Adjustment to record the debt Assured acquired from FSAH at fair value. Refer to Note 11 of the notes to FSAH's consolidated financial statements for the year ended December 31, 2008 for a description of the material terms related to this debt, which have been incorporated by reference into this prospectus supplement. The debt matures beginning in 2036 with the final obligation maturing in 2103. The coupon rates are considerably lower than the rates that would apply to comparable debt issued today. Accordingly, the adjustment reflects the changes in credit spreads from when the debt was originally entered into and current credit spreads in the market.

(5) Adjustment to reflect assets and liabilities of variable interest entities at their carrying values that will need to be consolidated pursuant to the guidance of FASB Interpretation No. 46 (revised December 2003) "*Consolidation of Variable Interest Entities*" ("FIN 46R"). This adjustment is based on Assured's preliminary evaluation of variable interest entities whereby the combined variable interest of FSAH and Assured would lead us to conclude that the combined entity is the primary beneficiary as defined by FIN 46R and, therefore, that we would need to consolidate these entities.

(6) Adjustment to record at fair value FSAH's unearned premium reserves. Adjustment reflects the amount that a financial guaranty insurance company with a similar credit rating would require to assume the policies for which FSAH has already been paid premiums in full (typically referred to as up-front policies). The adjustment reflects our best estimate of current upfront premiums that a financial guarantor would require based on the nature of the policies in force. The adjustment reflects estimated costs of capital based on rating agency capital charges, expenses based on our historical experience and a risk premium that reflects the risk of loss associated with the policies.

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Additionally, FSAH's subsidiaries have policies for which they are contractually entitled to receive premiums and, in the event of default of an insured obligation, obligated to pay claims in the future. These policies are typically referred to as installment policies. Similar to the adjustment for upfront policies discussed above, this adjustment also reflects the net fair value of expected future premiums, net of estimated costs of capital, related expenses and a risk premium based on the risk of insurance losses. The net cash flows are discounted at a risk-free rate. We have estimated future premiums based on expected maturities, which are typically shorter than contractual maturities. Costs of capital are based on rating agency capital charges for the nature of the business insured. Expenses are based on our historical experience. Risk premiums are based on loss scenarios determined based on Company estimates.

Based on our assumptions, FSAH's existing installment contracts result in an additional liability measured at fair value on March 31, 2009 indicating the FSAH's contractual premiums are less than the premiums a market participant of similar credit quality would demand at March 31, 2009. We have included this additional liability in our adjustment to unearned premium reserves.

(7)
Adjustment to eliminate historic balances attributable to FSAH common stock, additional paid-in capital, retained earnings, accumulated other comprehensive income, deferred equity compensation and treasury stock.

(8)
Adjustment to record negative goodwill based on the excess of the fair value of FSAH's net assets compared to the purchase price paid based on our preliminary assessment. The fair value of FSAH's pro forma net assets at March 31, 2009 exceeds the purchase price by $62.2 million. After completing a fair value analysis of FSAH's assets and liabilities as of the closing date, the final allocation of negative goodwill to non-financial assets and the amount of the extraordinary gain will be determined. The final purchase accounting adjustments may be materially different from the unaudited pro forma adjustments presented in this document.

(9)
Adjustment to recognize an extraordinary gain for the negative goodwill in pro forma adjustment Note 8, above. This extraordinary gain would be recognized in the combined results of operations in the first reporting period subsequent to consummation of the Acquisition.

(10)
Adjustment to reflect the effects of the offering of Assured's common shares to finance the Acquisition. The pro forma adjustments reflect a payment of $541.5 million in cash and the issuance of 22,283,951 Assured common shares directly to Dexia Holdings. The funds for the $541.5 million payment were assumed to be obtained from the issuance of an additional 26,863,667 Assured common shares to the public at $14.89 per share plus the issuance of $150 million of equity units. Transaction costs are estimated to be $38.3 million, of which $30.3 million is assumed to be paid from cash on hand.

(11)
Adjustment to tax effect of purchase GAAP accounting entries. Adjustment assumes a 35% tax rate.

Unaudited Pro Forma Combined Condensed Statements of Operations

Carve Out of Financial Products Segment

(a)
Adjustment to carve out amounts attributable to the Financial Products Companies from consolidated FSAH balances.

Pro Forma Adjustments

(b)
Adjustment to record incremental net earned premium attributable to the effects of balance sheet pro forma adjustment Note 6, above. Adjustment assumes that the pro forma adjustment

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amounts will be earned in proportion to FSAH's projected earned premium amounts under its current earnings methodology. Projected earned premium calculated under FAS 163 is not currently available.

(c) Adjustment to record incremental interest expense attributable to the effects of balance sheet pro forma adjustment Note 4, above. Adjustment assumes incremental expense will be recognized straight line over the contractual life of the debt.

(d) Adjustment to tax effect of pro forma adjustments. Adjustment assumes a 35% tax rate for all adjustments.

(e) Adjustment to reflect interest expense on $150 million of equity units. Interest expense based on the company's estimated cost to issue 3-year debt, which is estimated to be 10%. The difference between this estimated cost and the actual coupon on these equity units of $8^1/_4$%, results in a credit to the company's additional paid-in capital.

(f) Adjustment to eliminate FSA's deferred acquisition cost amortization as a result of write-off of deferred acquisition costs as part of purchase GAAP accounting, see note 3 above.

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THE BUSINESS OF ASSURED GUARANTY LTD.

Overview

Assured Guaranty Ltd. is a Bermuda based holding company that provides, through its operating subsidiaries, credit enhancement products to the public finance, structured finance and mortgage markets. Credit enhancement products are financial guaranty or other types of financial support, including credit derivatives, that improve the credit of underlying debt obligations. A derivative is a financial instrument whose characteristics and value depend upon the characteristics and value of an underlying security or commodity. We apply our credit expertise, risk management skills and capital markets experience to develop insurance, reinsurance and derivative products that meet the credit enhancement needs of our customers. We market our products directly and through financial institutions, serving the U.S. and international markets.

Our principal operating subsidiaries are AGC and AG Re.

We have four principal business segments: (1) financial guaranty direct, which includes transactions whereby we provide an unconditional and irrevocable guaranty that indemnifies the holder of a financial obligation against non-payment of principal and interest when due, and could take the form of a credit derivative; (2) financial guaranty reinsurance, which includes agreements whereby we are a reinsurer and agree to indemnify a primary insurance company against part or all of the loss which the latter may sustain under a policy it has issued; (3) mortgage guaranty, which includes mortgage guaranty insurance and reinsurance whereby we provide protection against the default of borrowers on mortgage loans; and (4) other, which includes lines of business in which we are no longer active.

We primarily conduct our business in the United States, Bermuda and Europe. The following table sets forth our gross written premiums by segment for the periods presented:

Gross Written Premiums By Segment

	Three Months Ended March 31, 2009	Year Ended December 31, 2008
	($ in millions)	
Financial guaranty direct:		
Structured finance	$ 0.9	$ 59.4
Public finance	139.2	425.3
Total financial guaranty direct	140.1	484.7
Financial guaranty reinsurance:		
Structured finance	0.6	38.0
Public finance	94.1	91.3
Total financial guaranty reinsurance	94.7	129.3
Mortgage guaranty		0.7
Total financial guaranty gross written premiums	234.8	614.7
Other		3.5
Total	$ 234.8	$ 618.3

Financial Guaranty Direct

Financial guaranty direct insurance provides an unconditional and irrevocable guaranty that protects the holder of a financial obligation against non-payment of principal and interest when due. Financial guaranty insurance may be issued to the holders of the insured obligations at the time of

issuance of those obligations, or may be issued in the secondary market to holders of public bonds and structured securities. Both issuers of and investors in financial instruments may benefit from financial guaranty insurance. Issuers benefit because the insurance may have the effect of lowering an issuer's cost of borrowing to the extent that the insurance premium is less than the value of the difference between the yield on the insured obligation (which carries the credit rating of the insurer) and the yield on the obligation if sold on the basis of its uninsured credit rating. Financial guaranty insurance also improves the marketability of obligations issued by infrequent or unknown issuers, as well as obligations with complex structures or backed by asset classes new to the market. Investors benefit from increased liquidity in the secondary market, added protection against loss in the event of the obligor's default on its obligation, and reduced exposure to price volatility caused by changes in the credit quality of the underlying issue.

As an alternative to traditional financial guaranty insurance, credit protection relating to a particular security or issuer can be provided through a credit derivative, such as a CDS. Under the terms of a CDS, the seller of credit protection makes a specified payment to the buyer of credit protection upon the occurrence of one or more specified credit events with respect to a reference obligation or entity. Credit derivatives typically provide protection to a buyer rather than credit enhancement of an issue as in traditional financial guaranty insurance. Credit derivatives may be preferred by some customers because they generally offer ease of execution and standardized terms.

Financial guaranty direct products are generally provided for structured finance and public finance obligations in the U.S. and international markets.

Structured Finance Structured finance obligations in both the U.S. and international markets are generally backed by pools of assets, such as residential mortgage loans, consumer or trade receivables, securities or other assets having an ascertainable cash flow or market value, which are generally held by a special purpose issuing entity. Structured finance obligations can be "funded" or "synthetic." Funded structured finance obligations generally have the benefit of one or more forms of credit enhancement, such as over-collateralization and excess cash flow, to cover credit risks associated with the related assets. Synthetic structured finance obligations generally take the form of credit derivatives or credit linked notes that reference a pool of securities or loans, with a defined deductible to cover credit risks associated with the referenced securities or loans.

Public Finance Public finance obligations in both the U.S. and international markets consist primarily of debt obligations issued by or on behalf of states or their political subdivisions (counties, cities, towns and villages, utility districts, public universities and hospitals, public housing and transportation authorities), other public and quasi public entities, private universities and hospitals, and investor owned utilities. These obligations generally are supported by the taxing authority of the issuer, the issuer's or underlying obligor's ability to collect fees or assessments for certain projects or public services or revenues from operations. This market also includes project finance obligations, as well as other structured obligations supporting infrastructure and other public works projects.

Financial Guaranty Reinsurance

Financial guaranty reinsurance indemnifies a primary insurance company against part of a loss that the latter may sustain under a policy that it has issued. The reinsurer may itself purchase reinsurance protection ("retrocessions") from other reinsurers, thereby reducing its own exposure.

Reinsurance agreements take two major forms: "treaty" and "facultative." Treaty reinsurance requires the reinsured to cede, and the reinsurer to assume, specific classes of risk underwritten by the ceding company over a specified period of time, typically one year. Facultative reinsurance is the reinsurance of part of one or more specified policies, and is subject to separate negotiation for each cession.

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Financial Guaranty Portfolio

The principal types of obligations covered on a global basis by our financial guaranty direct and our financial guaranty reinsurance businesses are structured finance and public finance obligations. Because both businesses involve similar risks, we analyze and monitor our financial guaranty direct portfolio and our financial guaranty reinsurance portfolio on a unified process and procedure basis. In the tables that follow, our reinsurance par outstanding on treaty business is reported on a one-quarter lag due to the timing of receipt of reports prepared by our ceding companies. The following table sets forth our financial guaranty net par outstanding by product line:

Net Par Outstanding By Product Line

	As of March 31,	As of December 31,		
	2009	2008	2007	2006
	($ in billions)			
U.S. Public Finance:				
Direct	$ 45.6	$ 37.5	$ 7.5	$ 3.5
Reinsurance	81.6	69.9	74.4	48.8
Total U.S. public finance	127.2	107.3	81.9	52.3
U.S. Structured Finance:				
Direct	63.7	65.6	65.0	44.5
Reinsurance	8.4	8.8	8.9	7.1
Total U.S. structured finance	72.1	74.4	73.8	51.6
International:				
Direct	26.3	29.0	30.6	19.9
Reinsurance	11.6	12.1	14.0	8.5
Total international	37.9	41.0	44.5	28.4
Total net par outstanding(1)	$ 237.2	$ 222.7	$ 200.3	$ 132.3

(1) Some amounts may not add due to rounding.

U.S. Structured Finance Obligations

We insure and reinsure a number of different types of U.S. structured finance obligations. Credit support for the exposures written by us may come from a variety of sources, including some combination of subordinated tranches, excess spread, over-collateralization or cash reserves. Additional support also may be provided by transaction provisions intended to benefit noteholders or credit enhancers. The types of U.S. Structured Finance transactions we insure and reinsure include the following:

Pooled Corporate Obligations These include securities primarily backed by various types of corporate debt obligations, such as secured or unsecured bonds, bank loans or loan participations and trust preferred securities. These securities are often issued in "tranches," with subordinated tranches providing credit support to the more senior tranches. Our financial guaranty exposures generally are to the more senior tranches of these issues.

Residential Mortgage-Backed and Home Equity These include obligations backed by closed-end first mortgage loans and closed- and open-end second mortgage loans or home equity loans on one-to-four family residential properties, including condominiums and cooperative apartments. First mortgage loan products in these transactions include fixed rate, adjustable rate ("ARM") and option adjustable-rate ("Option ARM") mortgages. The credit quality of borrowers covers a broad range, including "prime", subprime" and "Alt-A". A prime borrower is generally defined as one with strong risk characteristics as measured by factors such as payment history, credit score, and debt-to-income ratios. A subprime borrower is a borrower with higher risk characteristics, usually as determined by credit score and/or credit history. An Alt-A borrower is generally defined as a prime quality borrower that lacks certain ancillary characteristics, such as fully documented income.

Structured Credit These include program wide credit enhancement for commercial paper conduits, whole business securitizations and intellectual property securitizations. Program wide credit enhancement generally involves insuring against the default of asset backed securities in a bank sponsored commercial paper conduit. Whole business securitizations are obligations backed by revenue-producing assets sold to a limited-purpose company by an operating company, including franchise agreements, lease agreements, intellectual property and real property.

Consumer Receivables These include obligations backed by non-mortgage consumer receivables, such as automobile loans and leases, credit card receivables and other consumer receivables.

Commercial Receivables These include obligations backed by equipment loans or leases, fleet auto financings, business loans and trade receivables. Credit support is derived from the cash flows generated by the underlying obligations, as well as property or equipment values as applicable.

Commercial Mortgage-Backed Securities These include debt instruments that are backed by pools of commercial mortgages. The collateral supporting commercial mortgage-backed securities include office, multi-family, retail, hotel, industrial and other specialized or mixed-use properties.

Insurance Securitizations These include bonds secured by the future earnings from pools of various types of insurance/reinsurance policies and income produced by invested assets.

Other Structured Finance Other structured finance exposures in our portfolio include bonds or other securities backed by assets not generally described in any of the other described categories.

The following table sets forth our U.S. structured finance direct and reinsurance gross par written by asset type (stated as a percentage of total U.S. structured finance direct and reinsurance gross par) for the periods presented:

U.S. Structured Finance Gross Par Written by Asset Type

	Three Months Ended March 31,	Year Ended December 31,		
	2009	2008	2007	2006
	($ in billions)			
Pooled corporate obligations	77.2%	30.0%	40.9%	49.2%
Residential mortgage-backed and home equity	21.8	25.0	28.8	22.1
Structured credit		22.4	2.9	4.2
Consumer receivables		16.8	13.9	5.9
Commercial receivables		5.6	6.8	2.1
Commercial mortgage-backed securities			4.1	14.1
Insurance securitizations			2.2	2.1
Other structured finance		0.3	0.4	0.3
Total(1)	100.0%	100.0%	100.0%	100.0%
Total U.S. structured finance gross par written	$ 0.1	$ 12.7	$ 36.0	$ 28.2

(1) Total does not add due to rounding.

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The following table sets forth our U.S. structured finance direct and reinsurance net par outstanding by asset type (stated as a percentage of total U.S. structured finance direct and reinsurance net par outstanding) as of the dates indicated:

U.S. Structured Finance Net Par Outstanding by Asset Type

	As of March 31,	As of December 31,		
	2009	2008	2007	2006
		($ in billions)		
Pooled corporate obligations	46.7%	46.6%	45.8%	49.6%
Residential mortgage-backed and home equity	24.7	24.7	24.7	21.8
Commercial mortgage-backed securities	8.1	7.9	8.1	10.5
Consumer receivables	6.5	6.9	8.9	5.2
Commercial receivables	7.0	6.6	7.1	4.7
Structured credit	4.1	4.4	2.1	3.0
Insurance securitizations	2.2	2.1	1.6	1.5
Other structured finance	0.6	0.6	1.7	3.7
Total(1)	100.0%	100.0%	100.0%	100.0%
Total U.S. structured finance par outstanding	$ 72.1	$ 74.4	$ 73.8	$ 51.6

(1) Total does not add due to rounding.

The table below shows our ten largest financial guaranty U.S. structured finance direct and reinsurance exposures by revenue source as a percentage of total financial guaranty net par outstanding as of March 31, 2009:

Ten Largest U.S. Structured Finance Exposures

	Net Par Outstanding	Percent of Total Net Par Outstanding	Rating(1)
		($ in millions)	
Ares Enhanced Credit Opportunities Fund	$ 1,165	0.5%	AAA
Fortress Credit Investments I & II	1,092	0.5	AAA
Deutsche Alt-A Securities Mortgage Loan 2007-2	1,002	0.4	B
Discover Card Master Trust I Series A	1,000	0.4	AAA / Super senior
Field Point III & IV, Limited	991	0.4	AA-
Anchorage Crossover Credit Finance Ltd	875	0.4	AAA
280 Funding I Class A-1 & A-2	660	0.3	AAA
Mortgage It Securities Corp. Mortgage Loan 2007-2	649	0.3	BB
Prospect Funding I LLC	641	0.3	AAA
Private RMBS Re-Remic	638	0.3	AAA / Super senior
Total of top ten U.S. structured finance exposures	$ 8,713	3.7%	

(1) Our internal rating. Our scale is comparable to that of the nationally recognized rating agencies. The super senior category, which is not generally used by rating agencies, is used by us in instances where our AAA-rated exposure has additional credit enhancement due to either (1) the existence of another security rated AAA that is subordinated to our exposure or (2) our exposure benefits from a different form of credit enhancement that would pay any claims first in the event that any of the exposures incurs a loss, and such

credit enhancement, in management's opinion, causes our attachment point to be materially above the AAA attachment point.

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U.S. Public Finance Obligations

We insure and reinsure a number of different types of U.S. public obligations, including the following:

Tax-Backed Bonds These include a variety of obligations that are supported by the issuer from specific and discrete sources of taxation and include tax-backed revenue bonds, general fund obligations and lease revenue bonds. Tax-backed obligations may be secured by a lien on specific pledged tax revenues, such as a gasoline or excise tax, or incrementally from growth in property tax revenue associated with growth in property values. These obligations also include obligations secured by special assessments levied against property owners and often benefit from issuer covenants to enforce collections of such assessments and to foreclose on delinquent properties. Lease revenue bonds typically are general fund obligations of a municipality or other governmental authority that are subject to annual appropriation or abatement; projects financed and subject to such lease payments ordinarily include real estate or equipment serving an essential public purpose. Bonds in this category also include moral obligations of municipalities or governmental authorities.

General Obligation Bonds These include full faith and credit bonds that are issued by states, their political subdivisions and other municipal issuers, and are supported by the general obligation of the issuer to pay from available funds and by a pledge of the issuer to levy ad valorem taxes in an amount sufficient to provide for the full payment of the bonds.

Municipal Utility Bonds These include the obligations of all forms of municipal utilities, including electric, water and sewer utilities and resource recovery revenue bonds. These utilities may be organized in various forms, including municipal enterprise systems, authorities or joint action agencies.

Healthcare Bonds These include obligations of healthcare facilities including community based hospitals and systems. In addition to healthcare facilities, obligors in this category include a small number of health maintenance organizations and long-term care facilities.

Transportation Bonds These include a wide variety of revenue-supported bonds, such as bonds for airports, ports, tunnels, municipal parking facilities, toll roads and toll bridges.

Higher Education Bonds These include obligations secured by revenue collected by either public or private secondary schools, colleges and universities. Such revenue can encompass all of an institution's revenue, including tuition and fees, or in other cases, can be specifically restricted to certain auxiliary sources of revenue.

Investor-Owned Utility Bonds These include obligations primarily backed by investor-owned utilities, first mortgage bond obligations of for-profit electric or water utilities providing retail, industrial and commercial service, and also include sale-leaseback obligation bonds supported by such entities.

Housing Revenue Bonds These include obligations relating to both single and multi-family housing, issued by states and localities, supported by cash flow and, in some cases, insurance from such entities as the Federal Housing Administration.

Other Public Bonds These include other debt issued, guaranteed or otherwise supported by U.S. national or local governmental authorities, as well as student loans, revenue bonds, and obligations of some not-for-profit organizations.

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The following table sets forth our U.S. public finance direct and reinsurance gross par written by bond type (stated as a percentage of total U.S. public finance direct and reinsurance gross par written) for the years presented:

U.S. Public Finance Gross Par Written by Asset Type

	Period Ended March 31, 2009	Period Ended December 31, 2008
	($ in billions)	
Tax-backed	38.0%	25.5%
General obligation	33.8	24.5
Municipal utilities	10.2	15.3
Healthcare	6.2	12.2
Transportation	5.5	11.9
Higher education	2.6	4.9
Investor-owned utilities		0.2
Housing		0.1
Other public finance	3.8	5.3
Total(1)	100.0%	100.0%
Total U.S. public finance gross par written	$ 21.6	$ 37.0

(1) Total does not add due to rounding.

The following table sets forth our U.S. public finance direct and reinsurance net par outstanding by bond type (stated as a percentage of total U.S. public finance direct and reinsurance net par outstanding) as of the dates indicated:

U.S. Public Finance Net Par Outstanding by Asset Type

	As of March 31, 2009	As of December 31, 2008
	($ in billions)	
General obligation	27.5%	25.2%
Tax-backed	25.9	24.1
Municipal utilities	13.9	14.5
Transportation	10.9	11.8
Healthcare	9.0	10.9
Higher education	5.0	5.0
Investor-owned utilities	1.6	2.0
Housing	1.6	1.8
Other public finance	4.6	4.7
Total	100.0%	100.0%
Total U.S. public finance net par outstanding	$ 127.2	$ 107.3

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The table below shows our ten largest financial guaranty U.S. public finance direct and reinsurance exposures by revenue source as a percentage of total financial guaranty net par outstanding as of March 31, 2009:

Ten Largest U.S. Public Finance Exposures

	Net Par Outstanding	Percent of Total Net Par Outstanding	Rating(1)
	($ in millions)		
State of California General Obligation & Leases	$ 2,077	0.9%	A+
New York City General Obligation & Leases	1,443	0.6	A+
Commonwealth of Puerto Rico General Obligation & Leases	1,255	0.5	BBB-
State of New Jersey General Obligation & Leases	1,139	0.5	AA-
Miami- Dade County Florida Aviation Authority	1,125	0.5	A
Commonwealth of Massachusetts General Obligation & Bay Transportation	1,091	0.5	A
Pennsylvania State Turnpike Commission	1,067	0.4	A+
Long Island Power Authority	995	0.4	A-
State of New York General Obligation & Leases	993	0.4	A+
City of Chicago General Obligation & Leases	964	0.4	AA-
Total of top ten U.S. public finance exposures	$ 12,149	5.1%	

(1) Our internal rating. Our scale is comparable to that of the nationally recognized rating agencies.

International Obligations

We insure and reinsure a number of different types of international public and structured obligations. Credit support for the exposures written by us may come from a variety of sources, including some combination of subordinated tranches, excess spread, over-collateralization or cash reserves. Additional support also may be provided by transaction provisions intended to benefit noteholders or credit enhancers. The types of international transactions we insure and reinsure include the following:

Residential Mortgage-Backed and Home Equity These include obligations backed by closed-end first mortgage loans and closed- and open-end second mortgage loans or home equity loans on one-to-four family residential properties, including condominiums and cooperative apartments. First mortgage loan products in these transactions include fixed rate, ARM and Option ARM mortgages. The credit quality of borrowers covers a broad range, including "prime", "subprime" and "Alt-A". A prime borrower is generally defined as one with strong risk characteristics as measured by factors such as payment history, credit score, and debt-to-income ratios. A subprime borrower is a borrower with higher risk characteristics, usually as determined by credit score and/or credit history. An Alt-A borrower is generally defined as a prime quality borrower that lacks certain ancillary characteristics, such as fully documented income.

Regulated Utilities These include obligations issued by government-regulated providers of essential services and commodities, including electric, water and gas utilities. The majority of our international regulated utility business is conducted in the UK.

Pooled Corporate Obligations These include securities primarily backed by pooled corporate debt obligations, such as corporate bonds, bank loans or loan participations and trust preferred

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securities. These securities are often issued in "tranches," with subordinated tranches providing credit support to the more senior tranches. Our financial guaranty exposures generally are to the more senior tranches of these issues.

Infrastructure and pooled infrastructure These include obligations issued by a variety of entities engaged in the financing of international infrastructure projects, such as roads, airports, ports, social infrastructure, and other physical assets delivering essential services supported either by long-term concession arrangements with a public sector entity or a regulatory regime. The majority of our international infrastructure business is conducted in the UK.

Future Flow These include obligations supported by future receivables generated by financial flows (foreign remittances and foreign credit card flows), and by future receivables generated by commodity flows (future oil and gas, minerals, or refined product production). Such receivables are typically generated in emerging market countries. Payments due to the issuer are made in the United States or other developed countries and deposited into accounts in such countries. The issuer assigns such receivables to an offshore special purpose vehicle that issues notes backed by such flows.

Consumer receivables These include obligations backed by non-mortgage consumer receivables, such as automobile loans and leases, credit card receivables and other consumer receivables.

Public Finance These include obligations of local, municipal, regional or national governmental authorities or agencies.

Commercial Receivables These include obligations backed by equipment loans or leases, fleet auto financings, business loans and trade receivables. Credit support is derived from cash flows generated by the underlying obligations as well as property and equipment values as applicable.

Commercial Mortgage-Backed Securities These include debt instruments that are backed by pools of commercial mortgages. The properties backing commercial mortgage-backed securities include office, multi-family, retail, hotel, industrial and other specialized or mixed-use properties.

Insurance Securitizations These include bonds secured by the future earnings from pools of various types of insurance/reinsurance policies and income produced by invested assets.

Structured Credit These include whole business securitizations and intellectual property securitizations. Whole business securitizations are obligations backed by revenue-producing assets sold to a limited-purpose company by an operating company, including franchise agreements, lease agreements, intellectual property and real property.

Other International Structured Finance Other international structured finance exposures in our portfolio include bonds or other securities backed by assets not generally described in any of the other described categories.

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The following table sets forth our international direct and reinsurance gross par written by bond type (stated as a percentage of total international direct and reinsurance gross par written) for the years presented:

International Gross Par Written by Asset Type

	Period Ended March 31, 2009	Period Ended December, 2008
	($ in billions)	
Residential mortgage-backed and home equity	42.8%	48.8%
Regulated utilities	33.8	20.1
Pooled corporate obligations	23.4	15.9
Infrastructure and pooled infrastructure		7.8
Future flow		3.9
Consumer receivables		2.4
Public finance		1.1
Commercial receivables		0.1
Total(1)	100.0%	100.0%
Total international gross par written	$ 0.6	$ 6.4

(1) Total does not add due to rounding.

The following table sets forth our international direct and reinsurance net par outstanding by bond type (stated as a percentage of total international direct and reinsurance net par outstanding) as of the dates indicated:

International Net Par Outstanding by Asset Type

	As of March 31, 2009	As of December 31, 2008
	($ in billions)	
Infrastructure and pooled infrastructure	23.2%	22.7%
Pooled corporate obligations	21.6	20.4
Residential mortgage-backed and home equity	20.6	20.1
Regulated utilities	15.3	18.3
Commercial receivables	4.5	4.2
Public finance	4.4	4.1
Future flow	3.1	3.0
Insurance securitizations	2.5	2.3
Commercial mortgage-backed securities	1.8	1.9
Structured credit	1.1	1.1
Consumer receivables	0.3	0.3
Other international structured finance	1.7	1.6
Total	100.0%	100.0%
Total international net par outstanding	$ 37.9	$ 41.0

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The table below shows our ten largest financial guaranty international direct and reinsurance exposures by revenue source as a percentage of total financial guaranty net par outstanding as of March 31, 2009:

Ten Largest International Exposures

	Net Par Outstanding	Percent of Total Net Par Outstanding	Rating(1)
	($ in millions)		
Prime European RMBS	$ 1,236	0.5%	AAA / Super senior
Permanent Master Issuer PLC	1,226	0.5	AAA
Arkle Master Issuer PLC	1,207	0.5	AAA
Gracechurch Mortgage Financing PLC	1,198	0.5	AAA
Graphite Mortgages PLC Provide Graphite 2005-2	888	0.4	AAA / Super senior
Essential Public Infrastructure Capital II	843	0.4	AAA / Super senior
Granite Master Issuer PLC	828	0.3	AAA
Essential Public Infrastructure Capital III	802	0.3	AAA / Super senior
Synthetic CDO IG ABS	612	0.3	AAA / Super senior
International Infrastructure Pool	607	0.3	AAA / Super senior
Total of top ten international exposures	$ 9,452	4.0%	

(1) Our internal rating. Our scale is comparable to that of the nationally recognized rating agencies.

Financial Guaranty Portfolio by Internal Rating

The following table sets forth our financial guaranty portfolio as of March 31, 2009 by internal rating:

Financial Guaranty Portfolio by Internal Rating

Rating Category(1)	Net Par Outstanding	Percent of Total Net Par Outstanding
	($ in billions)	
Super senior	$ 29.6	12.5%
AAA	33.1	13.9
AA	50.5	21.3
A	80.2	33.8
BBB	34.4	14.5
Below investment grade	9.4	4.0
Total(2)	$ 237.2	100.0%

(1) Our internal rating. Our scale is comparable to that of the nationally recognized rating agencies. The super senior category, which is not generally used by rating agencies, is used by us in instances where our AAA-rated exposure

has additional credit enhancement due to either (1) the existence of another security rated AAA that is subordinated to our exposure or (2) our exposure benefits from a different form of credit enhancement that would pay any claims first in the event that any of the

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exposures incurs a loss, and such credit enhancement, in management's opinion, causes our attachment point to be materially above the AAA attachment point.

(2) Total does not add due to rounding.

Financial Guaranty Portfolio by Geographic Area

The following table sets forth the geographic distribution of our financial guaranty portfolio as of March 31, 2009:

Financial Guaranty Portfolio by Geographic Area

	Net Par Outstanding	Percent of Total Net Par Outstanding
	($ in billions)	
United States:		
California	$ 17.7	7.5%
New York	12.1	5.1
Florida	9.7	4.1
Texas	8.6	3.6
Illinois	7.1	3.0
Pennsylvania	6.7	2.8
New Jersey	5.0	2.1
Massachusetts	4.7	2.0
Puerto Rico	3.8	1.6
Michigan	3.6	1.5
Other states	48.1	20.3
Mortgage and structured (multiple states)	72.1	30.4
Total U.S.(1)	199.3	84.0
International	37.9	16.0
Total	$ 237.2	100.0%

(1) Percent total does not add due to rounding.

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Financial Guaranty Portfolio by Issue Size

We seek broad coverage of the market by insuring and reinsuring small and large issues alike. The following table sets forth the distribution of our portfolio as of March 31, 2009 by original size of our exposure:

Financial Guaranty Portfolio by Issue Size

Original Par Amount Per Issue	Number of Issues	Percent of Total Number of Issues	Net Par Outstanding	% of Total Net Par Outstanding
		($ in millions)		
Less than $10.0 million	5,988	63.8%	$ 10,516	4.4%
$10.0 through $24.9 million	1,240	13.2%	14,178	6.0%
$25.0 through $49.9 million	798	8.5%	20,446	8.6%
$50.0 million and above	1,366	14.5%	192,036	81.0%
Total(1)	9,392	100.0%	$ 237,176	100.0%

(1) Total does not add due to rounding.

Financial Guaranty Portfolio by Source

The following table sets forth our financial guaranty portfolio as of and for the period ended March 31, 2009 by source:

Financial Guaranty Portfolio by Source

	Gross Par In Force	Gross Par Written
	($ in millions)	
Direct	$ 139,610	$ 8,361
Reinsurance:		
Ambac Assurance Corporation	33,052	
Financial Security Assurance Inc	33,499	725
Financial Guaranty Insurance Company	4,074	
MBIA Insurance Corporation	16,384	
CIFG	13,524	13,191
Other ceding companies	1,222	
Total Reinsurance	101,754	13,916
Total	$ 241,364	$ 22,276

(1) Total does not add due to rounding.

Mortgage Guaranty Insurance/Reinsurance

Mortgage guaranty insurance is a specialized class of credit insurance that provides protection to mortgage lending institutions against the default of borrowers on mortgage loans that, at the time of the advance, had a loan-to-value ("LTV") in excess of a specified ratio. In the United States, governmental agencies and private mortgage guaranty insurance compete in this market, while some lending institutions choose to self insure against the risk of loss on high LTV mortgage loans.

Reinsurance in the mortgage guaranty insurance industry is used to increase the insurance capacity of the ceding company, to assist the ceding company in meeting applicable regulatory and rating agency requirements, to augment the financial strength of the ceding company, and to manage the ceding company's risk profile.

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Mortgage guaranty reinsurance comprises the bulk of our in force mortgage business. We have provided reinsurance of primary mortgage insurance and pool insurance in the United States on a quota share and excess of loss basis. Quota share reinsurance describes all forms of reinsurance in which the reinsurer shares in a proportional part of the original premiums and losses of the business ceded by the primary company (subject to a ceding commission). Excess of loss reinsurance refers to reinsurance which indemnifies the ceding company for that portion of the loss that exceeds an agreed upon "retention." There has been a decrease in demand for our quota share mortgage guaranty reinsurance products over the last five years, as primary mortgage insurers have expanded their capital bases. We have not written a new mortgage guaranty deal since 2005.

We have been a leading provider of excess of loss reinsurance to lender captives and third party insurers in the United Kingdom. There is not a consistent demand for mortgage insurance guaranty ("MIG") reinsurance in the United Kingdom although business opportunities may arise from time to time. We have entered into multi year reinsurance arrangements with several lenders and third party insurers.

We have also participated in the mortgage reinsurance markets in Ireland, Hong Kong and Australia. We have participated in these markets on an excess of loss basis with high attachment points and believe that our risk of loss on these transactions is remote.

The mortgage guaranty segment has a decreasing portfolio with limited possibilities for new business due to our change in business strategy and the overall market for mortgage insurance.

For information regarding our mortgage insurance and reinsurance portfolio, see our Annual Report on Form 10-K for the year ended December 31, 2008, which is incorporated herein by reference.

Underwriting

The underwriting, operations and risk management guidelines, policies and procedures of our insurance and reinsurance subsidiaries are tailored to their respective businesses, providing multiple levels of credit review and analysis.

Exposure limits and underwriting criteria are established, as appropriate, for sectors, countries, single risks and in the case of structured finance obligations, servicers. Single risk limits are established in relation to our capital base and are based on our assessment of potential severity of loss as well as other factors. Sector limits are based on our assessment of intra sector correlation, as well as other factors. Country limits are based on long term foreign currency ratings, history of political stability, size and stability of the economy and other factors.

Critical risk factors for proposed public finance exposures include, for example, the credit quality of the issuer, the type of issue, the repayment source, security pledged, the presence of restrictive covenants, and the issue's maturity. Underwriting consideration for exposures include (1) class, reflecting economic and social factors affecting that bond type, including the importance of the proposed project, (2) the financial management of the project and of the issuer, and (3) various legal and administrative factors. In cases where the primary source of repayment is the taxing or rate setting authority of a public entity, such as general obligation bonds, transportation bonds and municipal utility bonds, emphasis is placed on the overall financial strength of the issuer, the economic and demographic characteristics of the taxpayer or ratepayer base and the strength of the legal obligation to repay the debt. In cases of not-for-profit institutions such as healthcare issuers and private higher education issuers, emphasis is placed on the financial stability of the institution, its competitive position and its management.

Structured finance obligations generally present three distinct forms of risk: (1) asset risk, pertaining to the amount and quality of assets underlying an issue; (2) structural risk, pertaining to the extent to which an issue's legal structure provides protection from loss; and (3) execution risk, which is

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the risk that poor performance by a servicer contributes to a decline in the cash flow available to the transaction. Each risk is addressed in turn through our underwriting process. Generally, the amount and quality of asset coverage required with respect to a structured finance exposure is dependent upon the historic performance of the subject asset class, or those assets actually underlying the risk proposed to be insured or reinsured. Future performance expectations are developed from this history, taking into account economic, social and political factors affecting that asset class as well as, to the extent feasible, the subject assets themselves. Conclusions are then drawn about the amount of over-collateralization or other credit enhancement necessary in a particular transaction in order to protect investors (and therefore the insurer or reinsurer) against poor asset performance. In addition, structured securities usually are designed to protect investors (and therefore the guarantor) from the bankruptcy or insolvency of the entity which originated the underlying assets, as well as the bankruptcy or insolvency of the servicer of those assets.

For international transactions, an analysis of the country or countries in which the risk resides is performed. Such analysis includes an assessment of the political risk as well as the economic and demographic characteristics of the country or countries. For each transaction, we perform an assessment of the legal regime governing the transaction and the laws affecting the underlying assets supporting the obligations.

Risk Management

The Risk Oversight and Audit Committees of the Board of Directors oversees our risk management policies and procedures. Within the limits established by the board committees, specific risk policies and limits are set by the Portfolio Risk Management Committee, which includes members of senior management and senior Credit and Surveillance officers. As part of our risk management strategy, we may seek to obtain third party reinsurance or retrocessions and may also periodically enter into other arrangements to alleviate all or a portion of this risk.

Our Risk Management and Surveillance personnel are responsible for monitoring and reporting on all transactions in the insured portfolio, including exposures in both the Direct and Reinsurance segments. The primary objective of the surveillance process is to monitor trends and changes in transaction credit quality, detect any deterioration in credit quality, and take such remedial actions as may be necessary or appropriate. All transactions in the insured portfolio are risk rated, and surveillance personnel are responsible for adjusting those ratings to reflect changes in transaction credit quality. Surveillance personnel are also responsible for managing work-out and loss situations when necessary. For transactions where a loss is considered probable, surveillance personnel present analysis related to potential loss situations to a reserve committee. The reserve committee is made up of the Chief Executive Officer, Chief Financial Officer, Chief Surveillance Officer, General Counsel and Chief Accounting Officer. The reserve committee considers the information provided by the surveillance personnel when determining reserve recommendations of our operating subsidiaries.

Losses and Reserves

Reserves for Losses and Loss Adjustment Expenses

Under GAAP, financial guaranties written in credit derivative form are subject to derivative accounting rules while financial guaranties written in insurance form are subject to insurance accounting rules.

Financial Guaranty Contracts Upon Adoption of FAS 163

We recognize a reserve for losses and loss adjustment expenses on a financial guarantee insurance contract when we expect that a claim loss will exceed the unearned premium revenue for that contract based on the present value of expected net cash outflows to be paid under the insurance

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contract. The unearned premium revenue represents the insurance enterprise's stand-ready obligation under a financial guarantee insurance contract at initial recognition. Subsequently, if the likelihood of a default (insured event) increases so that the present value of the expected net cash outflows expected to be paid under the insurance contract exceeds the unearned premium revenue, we recognize a reserve for losses and loss adjustment expenses in addition to the unearned premium revenue.

A reserve for losses is equal to the present value of expected net cash outflows to be paid under the insurance contract discounted using a current risk-free rate. That current risk-free rate is based on the remaining period (contract or expected, as applicable) of the insurance contract. Expected net cash outflows (cash outflows, net of potential recoveries, expected to be paid to the holder of the insured financial obligation, excluding reinsurance) are probability-weighted cash flows that reflect the likelihood of all possible outcomes. We estimate the expected net cash outflows using the internal assumptions about the likelihood of all possible outcomes based on all information available. Those assumptions consider all relevant facts and circumstances and are consistent with the information tracked and monitored through our risk-management activities.

We update the discount rate each reporting period and revises expected net cash outflows when increases (or decreases) in the likelihood of a default (insured event) and potential recoveries occur. The discount amount is accreted on the reserve for losses and loss adjustment expenses through earnings in incurred loss and loss adjustment expenses (recoveries). Revisions to a reserve for loss and loss adjustment expenses in periods after initial recognition are recognized as incurred loss and loss adjustment expenses (recoveries) in the period of the change.

Financial Guaranty Contracts Prior to Adoption of FAS 163

Reserves for losses for non-derivative transactions in our financial guaranty direct and financial guaranty assumed reinsurance included case reserves and portfolio reserves. Case reserves were established when there was significant credit deterioration on specific insured obligations and the obligations were in default or default was probable, not necessarily upon non-payment of principal or interest by an insured. Case reserves represented the present value of expected future loss payments and loss adjustment expenses, net of estimated recoveries, but before considering ceded reinsurance. This reserving method was different from case reserves established by traditional property and casualty insurance companies, which establish case reserves upon notification of a claim and establish incurred but not reported reserves for the difference between actuarially estimated ultimate losses and recorded case reserves. Financial guaranty insurance and assumed reinsurance case reserves and related salvage and subrogation, if any, were discounted at the taxable equivalent yield on our investment portfolio, which was approximately 6%, during 2008.

We recorded portfolio reserves in our financial guaranty direct and financial guaranty assumed reinsurance business. Portfolio reserves were established with respect to the portion of our business for which case reserves were not established.

Portfolio reserves were not established based on a specific event, rather they are calculated by aggregating the portfolio reserve calculated for each individual transaction. Individual transaction reserves were calculated on a quarterly basis by multiplying the par in-force by the product of the ultimate loss and earning factors without regard to discounting. The ultimate loss factor was defined as the frequency of loss multiplied by the severity of loss, where the frequency was defined as the probability of default for each individual issue. The earning factor was inception to date earned premium divided by the estimated ultimate written premium for each transaction. The probability of default was estimated from rating agency data and was based on the transaction's credit rating, industry sector and time until maturity. The severity was defined as the complement of recovery/salvage rates gathered by the rating agencies of defaulting issues and was based on the industry sector.

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Portfolio reserves were recorded gross of reinsurance. We did not cede any amounts under these reinsurance contracts, as our recorded portfolio reserves did not exceed our contractual retentions, required by said contracts.

We recorded an incurred loss that was reflected in the statement of operations upon the establishment of portfolio reserves. When we initially recorded a case reserve, we reclassified the corresponding portfolio reserve already recorded for that credit within the balance sheet. The difference between the initially recorded case reserve and the reclassified portfolio reserve was recorded as a charge in our statement of operations. Any subsequent change in portfolio reserves or the initial case reserves were recorded quarterly as a charge or credit in our statement of operations in the period such estimates changed.

Mortgage Guaranty and Other Lines of Business

Mortgage guaranty and other lines of business are not in the scope of FAS 163. Reserves for losses and loss adjustment expenses in our mortgage guaranty line of business include case reserves and portfolio reserves. Case reserves are established when there is significant credit deterioration on specific insured obligations and the obligations are in default or default is probable, not necessarily upon non-payment of principal or interest by an insured. Case reserves represent the present value of expected future loss payments and loss adjustment expenses ("LAE"), net of estimated recoveries, but before considering ceded reinsurance. This reserving method is different from case reserves established by traditional property and casualty insurance companies, which establish case reserves upon notification of a claim and establish incurred but not reported ("IBNR") reserves for the difference between actuarially estimated ultimate losses and recorded case reserves.

We also record portfolio reserves for mortgage guaranty line of business in a manner consistent with its financial guaranty business prior to the adoption of FAS 163. While other mortgage guaranty insurance companies do not record portfolio reserves, rather just case and IBNR reserves, our records portfolio reserves because we write business on an excess of loss basis, while other industry participants write quota share or first layer loss business. We manage and underwrite this business in the same manner as its financial guaranty insurance and reinsurance business because they have similar characteristics as insured obligations of mortgage backed securities.

We also record IBNR reserves for our other line of business. IBNR is an estimate of losses for which the insured event has occurred but the claim has not yet been reported to us. In establishing IBNR, we use traditional actuarial methods to estimate the reporting lag of such claims based on historical experience, claim reviews and information reported by ceding companies. We record IBNR for trade credit reinsurance within its other segment, which is 100% reinsured. The other segment represents lines of business that we exited or sold as part of our initial public offering in 2004.

Due to the inherent uncertainties of estimating loss and LAE reserves, actual experience may differ from the estimates reflected in our consolidated financial statements, and the differences may be material.

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THE BUSINESS OF FINANCIAL SECURITY ASSURANCE HOLDINGS LTD.

Overview

FSAH, through its insurance company subsidiaries, engages in providing financial guaranty insurance on public finance obligations in domestic and international markets. Historically, FSAH also provided financial guaranty insurance on asset-backed obligations. In August 2008, FSAH announced that it would cease insuring asset-backed obligations and instead participate exclusively in the global public finance financial guaranty business. While FSAH has ceased new originations of asset-backed financial guaranty business, a substantial portfolio of such obligations remains outstanding.

In addition, prior to November 2008, FSAH issued FSA-insured GICs and other investment agreements as well as MTNs, to municipalities and other market participants through its Financial Products segment. In connection with the Acquisition, FSAH will transfer to Dexia Holdings, or one of its subsidiaries, the ownership interests in the Financial Products Companies that it holds. Even though FSAH will no longer own the Financial Products Companies after the Acquisition, FSA's guarantees of the GICs and MTNs and other guarantees related to FSA's MTN and leveraged tax lease business generally will remain in place. In February 2009, in the February 2009 Risk Transfer Transaction, Dexia entered into several agreements that transferred credit and liquidity risks of the GIC operations to Dexia. In connection with the Acquisition, Dexia and/or certain of its affiliates will enter into agreements assuming the remaining credit and liquidity risks associated with FSAH's former Financial Products business. See "Description of the Acquisition Financial Products Agreements."

FSA's insurance is employed in both the new-issue and secondary markets. In the case of new issues, the insured obligations are sold with FSA insurance at the time the obligations are issued. For public finance obligations, FSA participates in negotiated offerings, where the investment banker and often the insurer have been selected by the sponsor or issuer. In addition, FSA participates in competitive offerings, where underwriting syndicates bid for securities and submit bids that may include insurance.

In certain insured transactions, the issuer of insured securities is party to an interest rate, basis or currency swap that matches the issuer's funding sources to the interest rate or currency of the insured securities or otherwise hedges the issuer's exposure. In certain of these transactions, FSA will insure the issuer's obligations under both the insured securities and the regularly scheduled payment under the derivative contract and, occasionally, the termination payment obligation. FSA may have provided its insurance directly to a security or other obligation or by insuring a CDS referencing such security or other obligation.

FSA also insures obligations already carrying insurance from other monoline guarantors, with FSA generally obligated to pay claims on a "second-to-pay" basis, following a default by both the underlying obligor and the first-to-pay financial guarantor. In recent years, FSA has also reinsured a modest amount of business from other financial guaranty insurers, but FSA did not assume reinsurance on any transactions during 2008.

FSA has several programs that provide insurance for public finance obligations trading in the secondary markets, including its Custody Receipt Program, which provides insurance primarily for domestic municipal obligations trading in the secondary market, and its Triple-A Guaranteed Secondary Securities ("TAGSS"®) Program, which provides insurance primarily for public infrastructure obligations trading in the secondary market. Investors and dealers generally obtain secondary-market insurance to upgrade or stabilize the credit ratings of securities they already hold or plan to acquire or to increase the market liquidity of such securities.

Prior to September 2008, FSA issued surety bonds under its Sure-Bid program, which provided an alternative to traditional types of good faith deposits for competitive municipal bond transactions.

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FSA may resume its Sure-Bid program, subject to improved credit protections from participating underwriters.

The table below shows par outstanding and excludes intercompany insured transactions.

Par Outstanding by Type

	March 31, 2009				
	Par Outstanding				
	Direct	Assumed	Total Gross	Ceded	Net
	($ in millions)				
Public finance	$421,789	$ 4,501	$426,290	$108,261	$318,029
Asset-backed	115,675	1,559	117,234	17,957	99,277
Total	$537,464	$ 6,060	$543,524	$126,218	$417,306

At March 31, 2009, the weighted average life of the direct par insured was approximately 3.9 years for asset-backed and 13.0 years for public finance obligations.

The following table indicates FSA's percentages of par amount (net of reinsurance) outstanding with respect to each type of public finance and asset-backed program.

Net Par Outstanding by Program Type

	March 31, 2009			
	Public Finance Programs		Asset-Backed Programs	
	Net Par Outstanding	Percent of Total Net Par Outstanding	Net Par Outstanding	Percent of Total Net Par Outstanding
	($ in millions)			
New Issue	$295,077	93%	$ 91,650	92%
Secondary Market	21,185	7	6,092	6
Assumed	1,767	0	1,535	2
Total	$318,029	100%	$ 99,277	100%

Public Finance Obligations

FSA insures a range of public finance obligations, which include municipal bonds, notes and other indebtedness issued by or on behalf of public and quasi-public entities, including states and their political subdivisions, utility districts, public housing and transportation authorities and universities and hospitals. Public finance obligations also include bonds, notes and other indebtedness issued by special purpose entities established to finance investments in infrastructure projects. Some public finance obligations, including most project finance obligations, include non-governmental credit risks (to swap counterparties, insurance companies, construction companies or other non-governmental credits) and operating risks (such as traffic volume or student enrollment).

In the case of general obligation bonds, an issuer's obligation to pay is supported by the issuer's taxing power. In the case of most revenue bonds and public-private infrastructure financings, an issuer's obligation to pay is supported by the issuer's or obligor's ability to impose and collect fees and charges for public services or specific projects or, in some cases, by federal subsidies or grants.

FSA's insured portfolio of public finance obligations is divided into nine major categories. Where FSA insures obligations that already carry insurance from another monoline guarantor, FSA categorizes the obligation based on the type of bond or obligation underlying the insurance policy.

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Domestic General Obligation Bonds. General obligation or full faith and credit bonds are issued by states, their political subdivisions and other municipal issuers, such as state bond banks, and are supported by the general obligation of the issuer or obligor to pay from available funds and by a pledge of the issuer or obligor to levy taxes in an amount sufficient to provide for the full payment of the bonds.

Domestic Tax-Supported (Non-General Obligation) Bonds. Tax-supported (non-general obligation) bonds include a variety of bonds that, though not full faith and credit general obligations, are generally supported by leases, a specific or discrete source of taxation or moral obligation (i.e., a commitment to consider an appropriation for payment, but not an obligation to appropriate). Lease revenue bonds or certificates of participation ("COPs") are usually general fund obligations that finance real property or equipment that, in the case of leases subject to annual appropriation, FSA deems to serve an essential public purpose (e.g., schools, public safety facilities, courts and, less frequently, correctional facilities). Tax-backed revenue bonds are secured by a lien on pledged tax revenues, including income, retail sales, property, excise and gasoline taxes, or from tax increments (or tax allocations) generated by growth in property values within a district. FSA also insures bonds secured by special assessments levied against property owners, which benefit from covenants by the issuer to levy, collect and enforce collections and to foreclose on delinquent properties.

Domestic Municipal Utility Revenue Bonds. Municipal utility revenue bonds include obligations of municipal utilities, including electric, gas, water and sewer and solid waste. Insurable utilities may be organized as municipal enterprise systems, authorities or joint-action agencies.

Domestic Transportation Revenue Bonds. Transportation revenue bonds include a wide variety of revenue- supported bonds, such as bonds for airports, ports, municipal parking facilities, toll roads and toll bridges and tunnels.

Domestic Health Care Revenue Bonds. Health care revenue bonds include bonds of state and local municipal authorities issued on a conduit basis on behalf of not-for-profit health care providers and health care provider systems, payable from amounts derived under loan agreements and notes of such health care providers with such authorities. This category also includes exposure to HMOs, mental health providers and other health-related credits.

Domestic Housing Revenue Bonds. Housing revenue bonds include both multi-family and single family housing bonds, with multi-tiered security structures based on the underlying mortgages, reserve funds, and various other features such as Federal Housing Administration or private mortgage insurance, bank letters of credit, first-loss guarantees and, in some cases, the general obligation of the issuing housing agency or a state's moral obligation to make up deficiencies. This category also includes multi-family housing bonds supported by capital fund grants appropriated by Congress.

Domestic Education/University Bonds. Education/University bonds include obligations of colleges and universities, primarily public or state-supported, and independent primary and secondary schools.

Other Domestic Public Finance Obligations. Other domestic public finance obligations insured by FSA include bonds secured by revenues and guarantees from the Federal government, financings supported by specific state or local government entity revenues, and stadium financings. This category also includes guarantees of the debt of Citizens Property Insurance, a Florida state-sponsored entity, which provides residential and commercial property and casualty insurance coverage. This category also includes leveraged lease transactions ("Leveraged Tax Lease Business"). The transactions encompassing the Leveraged Tax Lease Business transfer the tax benefits from a tax-exempt entity, such as a transit agency (lessee) to a tax-paying entity (lessor) by transferring ownership of a depreciable asset, such as subway cars, to the lessor. The municipality (lessee) remains the primary user of the asset. In 2004,

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Congress amended the Code to expressly prohibit tax benefits derived from the Leveraged Tax Lease Business.

International Public Finance Obligations. International public finance obligations have non-U.S. obligors and include obligations of sovereign and sub-sovereign issuers, project finance transactions involving projects leased to or supported by payments from governmental or quasi-governmental entities, toll road transactions supported by toll revenues, obligations arising under leases of equipment or facilities by municipal obligors, distribution and transmission utility and water utility financings, securitizations of government- supported receivables or sovereign or municipal debt, corporate debt guaranteed by government-owned financial institutions and other obligations having international aspects but otherwise within the public finance categories described above.

Asset-Backed Obligations

FSA ceased issuing financial guaranties on asset-backed obligations in August 2008. The asset-backed obligations in FSA's insured portfolio were generally issued in structured transactions backed by pools of assets such as residential mortgage loans, consumer or trade receivables, securities or other assets having an ascertainable cash flow or market value. Asset-backed obligations insured by FSA also included payment obligations of counterparties and issuers under synthetic obligations such as CDS and credit-linked notes referencing asset-backed securities or pools of securities or other obligations.

Asset-backed obligations are typically issued in connection with structured financings or securitizations where the securities being issued are secured by or payable with funds from a specific pool of assets. The assets are typically held by a special purpose entity that also acts as the issuer of the insured obligations. Most asset-backed obligations are secured by or represent interests in diverse pools of assets, such as residential mortgage loans, auto loans, credit card receivables, other consumer receivables, corporate loans or bonds, government debt and small business loans. Asset-backed obligations may also be secured by less diverse payment sources, such as small business loans. FSA sought to structure the asset-backed obligations it insured to mitigate the correlation risk.

Structure of Asset-backed and Other Non-Public Finance Obligations

The asset-backed obligations in FSA's insured portfolio include funded and synthetic transactions:

Funded Asset-backed Obligations. Funded asset-backed obligations are typically payable from cash flow generated by a pool of assets and take the form of either "pass-through" obligations, which represent interests in the related assets, or "pay-through" obligations, which generally are debt obligations collateralized by the related assets. Both types of funded asset-backed obligations generally have the benefit of one or more forms of credit enhancement, such as overcollateralization or excess cash flow, to cover credit risks associated with the related assets. Historically, asset securitization often represented an efficient way for commercial banks to comply with capital requirements and for corporations to access the capital markets at more attractive rates. Banks responded to increased capital requirements by selling certain of their assets, such as credit card receivables and automobile loans, in securitized structures to the financial markets. Some corporations found securitization of their assets to be a less costly funding alternative to traditional forms of borrowing or otherwise important in diversifying funding sources. Many finance companies have funded consumer finance and home equity lending through securitization.

Synthetic Asset-backed Obligations. Synthetic asset-backed obligations generally take the form of CDS obligations or credit-linked notes that reference either an asset-backed security or pool of securities or loans, with a defined deductible to cover credit risks associated with the referenced securities or loans. FSA has two basic types of insured CDS contracts. One type references a pool of

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underlying corporate obligations ("pooled corporate CDS") and the other type references existing structured finance securities, primarily CDOs and collateralized loan obligations ("CLOs"), or infrastructure finance transactions, including obligations insured by another financial guaranty insurer. In both cases, exposures insured by FSA generally had an attachment point (i.e., the minimum level of losses in a portfolio to which a tranche is exposed, usually expressed as a percentage of the total notional size of the portfolio) at the outset which was determined by FSA and the rating agencies to be at or above a Triple-A credit rating, or may have had such rating due to credit enhancement provided by another financial guaranty insurer.

Pooled Corporate CDS: FSA's pooled corporate CDS contracts typically cover a pool of reference obligations, such as bonds, bank loans or single name CDS subject to a material deductible. The majority of the risks insured benefit from protection provided to the senior tranches, and are rated Triple-A or higher ("Super Triple-A") credit quality without the benefit of FSA's insurance. The majority are static pools, i.e., pools that are not "managed" in that reference obligations cannot be added or substituted. FSA's portfolio of pooled corporate CDS contracts is segregated into investment and non-investment grade (or "high yield") groups. "Super Triple-A" indicates a level of first-loss protection generally exceeding 1.3 times the level required by a rating agency for a Triple-A rating. Typically a higher attachment point is required to achieve a Super Triple-A level of subordination for a pool of non-investment grade credits than is required for a pool of investment grade credits.

CDS Referencing Funded CDOs and CLOs: FSA's insured CDS contracts referencing CDOs and CLOs provide credit protection on the senior tranches of funded collateralized structures. CDOs and CLOs are securities backed or collateralized by a diversified managed pool of corporate bonds or loans, respectively. The senior tranches are typically rated Triple-A and would only suffer a loss if the deterioration of the underlying assets exceeds the collateral protection provided by the subordinated debt tranches and equity.

Categorization of Asset-backed and Other Non-Public Finance Obligations

FSA's insured portfolio of asset-backed and other non-public finance obligations may be divided into five major categories, which are broadly based on the type of assets backing the insured obligations and include funded and synthetic obligations and may be in the form of insurance or insurance of CDS. Where FSA insures obligations that already carry insurance from another monoline guarantor, FSA categorizes the obligation based on the type of assets backing the obligations underlying the insurance policy. Until the fourth quarter of 2007, such obligations were categorized as "other domestic non-public finance obligations."

Domestic Residential Mortgage Loans. Obligations primarily backed by residential mortgage loans generally take the form of conventional pass-through certificates or pay-through debt securities, but also include other structured products. Residential mortgage loans backing these insured obligations include closed- and open-end first and second mortgage loans or home equity loans on one-to-four family residential properties, including condominiums and cooperative apartments and non-owner occupied residential housing.

Domestic Consumer Receivables. Obligations primarily backed by consumer receivables include conventional pass-through and pay-through securities as well as more highly structured transactions. Consumer receivables backing these insured obligations primarily include automobile loans, with some credit card receivables, manufactured housing loans and cash consumer loans. Consumer receivable transactions in FSA's insured portfolio tend to be concentrated in the subprime automobile loan sector.

Domestic Pooled Corporate Obligations. Obligations primarily backed by pooled corporate obligations include funded and synthetic obligations collateralized by corporate debt securities or

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corporate loans and obligations backed by cash flow or market value of non-consumer indebtedness, and include CDOs, such as collateralized bond obligations ("CBOs"), CLOs and comparable risks under CDS obligations. Corporate obligations include corporate bonds, bank loan participations, trade receivables, franchise loans and equity securities.

CDOs are securitizations of bonds, loans or other securities and may be insured on a funded or synthetic basis. CDOs have been used by financial institutions to manage their risk profiles, optimize capital utilization and improve returns on equity. CDOs have also been used by dealers or portfolio managers to provide leveraged investments in bond and loan portfolios tailored to conform to differing risk appetites of investors.

Other Domestic Non-Public Finance Obligations. Other domestic non-public finance obligations in FSA's insured portfolio include bonds or other securities backed by government securities, letters of credit or repurchase agreements collateralized by government securities, securities backed by a combination of assets that include elements of more than one of the categories set forth above and unsecured corporate obligations satisfying FSA's underwriting criteria. Other domestic non-public finance obligations insured by FSA also include first mortgage bond obligations of for-profit electric or water utilities providing retail, industrial and commercial service, sale-leaseback obligation bonds supported by such utilities and other obligations backed by investor-owned utilities. These bonds are generally either secured by a mortgage on property owned by or leased to an investor-owned utility or have the benefit of a "negative pledge" ensuring that no other material creditors have priority claims to the utility assets. Other domestic non-public finance obligations include securitization of life insurance risks (including so-called "triple-X transactions") and airplane leases, including transactions benefiting from third-party financial guaranty insurance.

International Asset-Backed Obligations. International asset-backed obligations in FSA's insured portfolio include (1) funded and synthetic CDOs, (2) securitizations of perpetual floating rate notes of non-domestic banks, diversified payment rights, future flows, health care receivables and residential housing construction loans, (3) obligations of non-domestic investor-owned utilities and (4) other obligations having international aspects but otherwise within the asset-backed categories described above. FSA allocates individual funded and synthetic CDOs between domestic and international based on the transactions' holdings or potential holdings. Most of the international obligations comprise the international component of funded or unfunded CDOs.

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Insured Portfolio

A summary of FSA's insured portfolio at March 31, 2009 is shown below. Exposure amounts are expressed net of reinsurance but do not distinguish between quota share, first-loss or excess-of-loss reinsurance.

Summary of Insured Portfolio by Obligation Type

	March 31, 2009			
	Number of Risks	Net Par Outstanding	Net Par and Interest Outstanding	Percent of Net Par and Interest
	($ in millions)			
Public finance obligations				
Domestic obligations				
General obligation	7,649	$ 113,140	$ 196,126	32%
Tax-supported	1,278	57,876	89,344	14
Municipal utility revenue	1,259	51,535	83,286	14
Health care revenue	231	12,274	21,792	4
Housing revenue	166	7,217	12,450	2
Transportation revenue	170	21,431	36,712	6
Education/University	167	8,295	13,712	2
Other domestic public finance	30	2,200	3,417	1
Subtotal	10,950	293,968	457,025	74
International obligations	173	24,061	51,437	8
Total public finance obligations	11,123	318,029	508,462	82
Asset-backed obligations				
Domestic obligations				
Residential mortgages	198	16,498	20,193	3
Consumer receivables	40	5,410	5,772	1
Pooled corporate	274	53,737	56,628	9
Other domestic asset-backed	62	1,564	2,001	0
Subtotal	574	77,179	84,594	14
International obligations	52	22,098	23,308	4
Total asset-backed obligations	626	99,277	107,902	18
Total	11,749	$ 417,306	$ 616,364	100%

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Obligation Type

The table below sets forth the relative percentages of net par insured by obligation type during each of the last five years:

Annual New Business Insured by Obligation Type

	Three Months Ended March 31,	Year Ended December 31,				
	2009	2008	2007	2006	2005	2004
Public finance obligations						
Domestic obligations						
General obligation	70%	37%	23%	27%	30%	20%
Tax-supported	10	18	8	9	12	7
Municipal utility revenue	10	18	7	8	8	5
Health care revenue	6	1	2	3	3	3
Housing revenue		1	1	1	1	2
Transportation revenue		12	3	2	4	2
Education/University	4	6	1	1	1	1
Other domestic public finance		1	1			
Subtotal	100	94	46	51	59	40
International obligations		3	7	7	5	2
Total public finance obligations	100	97	53	58	64	42
Asset-backed obligations						
Domestic obligations						
Residential mortgages		1	11	10	9	29
Consumer receivables		1	5	10	5	3
Pooled corporate		1	19	11	13	14
Other domestic asset-backed		0	3	1	1	4
Subtotal		3	38	32	28	50
International obligations		0	9	10	8	8
Total asset-backed obligations		3	47	42	36	58
Total	100%	100%	100%	100%	100%	100%

Terms to Maturity

Actual maturities could differ from contractual maturities because borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties. The expected maturities for asset-backed obligations, in general, are considerably shorter than the contractual maturities for such obligations. For asset-backed obligations, the full par outstanding for each insured risk is shown in the maturity category that corresponds to the legal final maturity of such risk.

The table below sets forth the contractual terms to maturity of FSA's policies:

Contractual Terms to Maturity of Net Par Outstanding of Insured Obligations

	March 31,		December 31,			
	2009		2008		2007	
Term to Maturity	Public Finance	Asset-Backed	Public Finance	Asset-Backed	Public Finance	Asset-Backed
	($ in millions)					
0 to 5 years	$ 63,219	$36,188	$ 59,744	$ 36,797	$ 54,037	$ 42,714
5 to 10 years	68,988	26,741	64,224	29,068	58,719	34,628
10 to 15 years	63,115	17,270	59,381	17,818	53,676	19,332
15 to 20 years	47,435	733	46,735	737	44,446	2,644
20 years and above	75,272	18,345	76,148	17,878	71,642	24,619
Total	$318,029	$99,277	$306,232	$102,298	$282,520	$123,937

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Issue Size

The table below sets forth the net par outstanding broken out by original net par amount:

Net Par Outstanding

	March 31,		December 31,			
	2009		2008		2007	
Original Net Par	**Public Finance**	**Asset-Backed**	**Public Finance**	**Asset-Backed**	**Public Finance**	**Asset-Backed**
	($ in millions)					
Less than $10 million	$ 46,843	$ 70	$ 44,419	$ 72	$ 41,630	$ 114
$10 to $50 million	102,619	4,165	96,141	4,194	90,554	4,752
$50 million to $100 million	55,967	10,964	53,795	10,890	50,733	11,956
$100 million or greater	112,600	84,078	111,877	87,142	99,603	107,115
Total	$318,029	$99,277	$306,232	$102,298	$282,520	$123,937

Geographic Concentration

FSA seeks to maintain a diversified portfolio of insured public finance obligations designed to spread its risk across a number of geographic areas. The table below sets forth those jurisdictions in which municipalities issued an aggregate of 2% or more of the total net par amount outstanding of FSA-insured public finance securities:

Public Finance Insured Portfolio by Location of Exposure

	March 31, 2009		
	Number of Risks	**Net Par Amount Outstanding**	**Percent of Total Net Par Amount Outstanding**
		($ in millions)	
Domestic obligations			
California	1,153	$ 42,618	13%
New York	814	23,986	8%
Pennsylvania	891	21,732	7%
Texas	826	20,141	6%
Illinois	764	17,482	5%
Florida	292	15,670	5%
Michigan	643	13,620	4%
New Jersey	659	12,855	4%
Washington	345	10,531	3%
Massachusetts	242	8,672	3%
Ohio	457	7,700	3%
Georgia	130	7,046	2%
Indiana	295	6,984	2%
All other U.S. locations	3,439	84,931	27%
Subtotal	10,950	293,968	92%
International obligations	173	24,061	8%
Total	11,123	318,029	100%

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In its asset-backed business, FSA considered geographic concentration as a factor in its underwriting decisions for insurance for securitizations of pools of assets, such as residential mortgage loans or consumer receivables. However, the geographic concentration of the underlying assets may change over the life of the policy. In addition, in writing insurance for other types of asset-backed obligations, such as securities primarily backed by government or corporate debt, geographic concentration may not have been a significant credit factor given other more relevant measures of diversification, such as issuer or industry diversification.

The table below shows amounts attributed to foreign and domestic premiums during each of the last three fiscal years, based on the underlying risks:

Net Premiums Earned by Geographic Distribution

	Period Ended March 31,	Year Ended December 31,		
	2009(1)	2008	2007	2006
	($ in millions)			
United States	$ 65.9	$298.9	$263.7	$257.9
International	12.6	77.7	54.1	43.6
Total net premiums earned	$ 78.5	$376.6	$317.8	$301.5

(1) As a result of the adoption of FAS 163, net premiums are not comparable between 2008 and 2009.

Issuer Concentration

At March 31, 2009, the ten largest net insured public finance risks represented $12.1 billion, or 3.0%, of the total net par amount outstanding and the ten largest net insured asset-backed transactions represented $18.2 billion, or 4.4%, of the total net par amount outstanding. For purposes of the foregoing, different issues of asset-backed securities by the same originator have not been aggregated. However, FSA's underwriting policies established single-risk guidelines applicable to asset-backed securities of the same originator. In addition, individual corporate names may appear in more than one FSA-insured CDO transaction, but such exposures are not aggregated for purposes of identifying the largest insured risks. Instead, FSA addresses these risks through structural elements of the transactions and by limiting its exposure to the CDO sector in the aggregate. In addition to the single-risk limits established by its underwriting guidelines, FSA is subject to regulatory limits and rating agency guidelines on exposures to single risks.

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DESCRIPTION OF THE ACQUISITION

The following describes certain aspects of the Acquisition, including material provisions of the Purchase Agreement. The following description of the Purchase Agreement is subject to, and qualified in its entirety by reference to, the Purchase Agreement, which is filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2008 and to the Agreement and Amendment, dated June 9, 2009, which is filed as an exhibit to our Current Report on Form 8-K filed on June 12, 2009, each of which is incorporated by reference in this prospectus supplement. We urge you to read the Purchase Agreement, as amended, carefully.

General

Pursuant to the Purchase Agreement, Assured will acquire from Dexia Holdings the outstanding shares of FSAH common stock. Under the Purchase Agreement, we have agreed to acquire FSAH and, indirectly, all of its subsidiaries. However, Assured is not acquiring FSAH's Financial Products business. In connection with the Acquisition, FSAH will transfer to Dexia Holdings, or any of its subsidiaries, the ownership interests in the Financial Products Companies that it holds for nominal consideration. Even though FSAH will no longer own the Financial Products Companies after the Acquisition, FSA's guarantees of the GICs and MTNs and other guarantees related to FSA's MTN and leveraged tax lease business generally will remain in place. In connection with the Acquisition, Dexia and/or certain of its affiliates will enter into agreements assuming the remainder of the credit and liquidity risks associated with FSAH's former Financial Products business. See " Financial Products Agreements."

We have agreed to pay Dexia Holdings total consideration consisting of $361 million in cash and up to 44,567,901 Assured common shares. We will acquire, directly or indirectly, the remaining outstanding shares of capital stock of FSAH from the directors of FSAH for cash in the amount of approximately $2.8 million and the issuance of 435,017 Assured common shares, offset by a reduction of 367,366 Assured common shares deliverable to Dexia Holdings under the Purchase Agreement. Under the Purchase Agreement, we are required to pay $8.10 per Assured common share in cash in lieu of any Assured common shares that would result in the 44,567,901 Assured common shares otherwise issuable to Dexia Holdings under the Purchase Agreement exceeding 24.9% of our outstanding common shares after giving effect to such issuance and this offering. Assuming a public offering price of $14.89 per common share in this offering, the closing price of our common shares on June 12, 2009, we would be required to pay Dexia Holdings approximately $44.5 million in cash in lieu of issuing approximately 5.5 million Assured common shares. In addition, under the Purchase Agreement, Assured may elect to pay $8.10 per share in cash in lieu of up to 22,283,951 Assured common shares that it would otherwise deliver to Dexia Holdings as part of the purchase price.

Dexia Holdings Agreements with Respect to Assured Common Shares; Registration Rights

Dexia Holdings has agreed that the voting rights with respect to all Assured common shares issued to Dexia Holdings pursuant to the Purchase Agreement will constitute less than 9.5% of the voting power of all issued and outstanding Assured common shares.

Dexia Holdings has also agreed that until the date on which it and its affiliates beneficially own Assured common shares in an amount less than 10% of the outstanding Assured common shares, without the prior written approval of Assured, Dexia Holdings will not, directly or indirectly, through its affiliates or any other persons, or in concert with any person:

- acquire, offer to acquire, or agree to acquire, directly or indirectly, by purchase or otherwise, any voting securities or direct or indirect rights to acquire any voting securities of Assured or any of its subsidiaries, or of any successor to or person in control of Assured;

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- make, or participate, directly or indirectly, in any "solicitation" of "proxies" to vote (as such terms are used in the rules and regulations promulgated by the SEC), or advise any person with respect to the voting of any voting securities of Assured;

- form, join or participate in a "group" as defined in Section 13(d)(3) of the Exchange Act in connection with any of the foregoing; or

- publicly request that any of these standstill provisions be waived or amended.

Dexia Holdings has agreed that, until November 14, 2009, the first anniversary of the date of the Purchase Agreement, it will not transfer any of the Assured common shares issued pursuant to the Purchase Agreement to any person without the consent of Assured other than to one or more of its affiliates that agrees to abide by the voting and transfer restrictions described above. Except with the written consent of Assured, Dexia Holdings will not transfer any of the Assured common shares issued pursuant to the Purchase Agreement other than (i) in transactions exempt from registration under the Securities Act or (ii) pursuant to a registration statement in the open market or otherwise where Dexia Holdings reasonably believes that any transferee would not own more than 4.9% of the Assured common shares then outstanding after the sale, transfer or disposition.

We have agreed to file a registration statement within 60 days following the closing of the Acquisition to register for resale the Assured common shares it issues pursuant to the Purchase Agreement and has also agreed to provide Dexia Holdings and its transferees piggyback registration rights for such shares.

Board Representation

If the Assured common shares issued pursuant to the Purchase Agreement represent more than 15% of the total Assured common shares outstanding on the closing date of the Acquisition (after giving effect to all common shares issued on that date), then upon the written request of Dexia Holdings, Assured's board of directors will appoint one nominee of Dexia Holdings to serve as a member of Assured's board of directors. At such time as Dexia Holdings no longer owns Assured common shares representing at least 10% of the total number of Assured common shares outstanding, Dexia Holdings will no longer be entitled to nominate a representative to Assured's board of directors.

Closing

Assured's and Dexia Holdings' respective obligations to complete the Acquisition are subject to the satisfaction or waiver of certain conditions, including:

- the expiration or earlier termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (which expiration occurred on January 20, 2009);

- the absence of any laws, rules or injunctions prohibiting or making illegal the completion of the acquisition; and

- receipt of certain material insurance approvals (all of which have been obtained).

Assured's obligation to complete the Acquisition is separately subject to the satisfaction or waiver of certain conditions, including:

- the representations and warranties of Dexia Holdings contained in the Purchase Agreement (in each case without giving effect to any materiality concept therein) shall be true and correct as of the date of the Agreement and Amendment, disregarding for these purposes any breaches or inaccuracies that do not, and are not reasonably likely to, have in the aggregate a material adverse effect on the assets, liabilities, business, operations, condition

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(financial or otherwise) or results of operations of FSAH and its financial guaranty subsidiaries, taken as a whole (other than effects arising out of certain specified circumstances);

Dexia Holdings shall have performed in all material respects the covenants and agreements required to be performed by it under the Purchase Agreement prior to the closing date;

execution and delivery of the agreements described under " Financial Products Agreement";

approval by Assured's shareholders of the issuance of the Assured common shares to Dexia Holdings pursuant to the Purchase Agreement (which occurred on March 16, 2009); and

receipt by Assured of confirmation from Fitch, Moody's and S&P that consummation of the transactions contemplated by the Purchase Agreement of itself will not result in a downgrade of AGC, AG UK and AG Re (which confirmation has been received).

Dexia Holdings' obligation to complete the Acquisition is separately subject to the satisfaction or waiver of certain conditions, including:

the representations and warranties of Assured contained in the Purchase Agreement (in each case without giving effect to any materiality concept therein) shall be true and correct as of the closing, disregarding for these purposes any breaches or inaccuracies that do not, and are not reasonably likely to, have in the aggregate a material adverse effect on the assets, liabilities, business, operations, condition (financial or otherwise) or results of operations of Assured and its subsidiaries, taken as a whole (other than effects arising out of certain specified circumstances);

Assured shall have performed in all material respects the covenants and agreements required to be performed by it under the Purchase Agreement prior to the closing date;

the Assured common shares to be issued pursuant to the Purchase Agreement shall have been authorized for trading on the NYSE, subject to official notice of issuance (which authorization has been obtained);

execution and delivery of the agreements described under " Financial Products Agreement"; and

receipt by Dexia Holdings of confirmation from Fitch, Moody's and S&P that consummation of the transactions contemplated by the Purchase Agreement of itself will not result in a downgrade of FSA (which confirmation from Fitch and S&P has been received; Dexia Holdings has waived this closing condition with respect to Moody's).

In the Purchase Agreement, Assured and Dexia Holdings have agreed that if we have not completed a public offering of Assured common shares to finance the cash portion of the purchase price by the closing date, Assured may elect to postpone the closing date until a date not more than 45 days after the date on which the closing conditions had been satisfied or waived. If Assured elects to so postpone the closing date, (i) the conditions to closing in the first, second and fifth bullet points in the second preceding paragraph and the related termination rights will be waived by Assured and (ii) Assured must pay Dexia Holdings interest on the cash portion of the purchase price (calculated at 30-day LIBOR) for the period between the date the closing would have otherwise taken place and that date on which it actually takes place. In the Acknowledgment and Amendment signed on June 9, 2009, Assured and Dexia Holdings agreed that the closing conditions (other than those conditions that by their nature are to be satisfied at the closing) had been met as of that date and that the 45-day period referred to in the preceding sentence had commenced.

We expect to close the Acquisition on or about July 1, 2009.

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In the event this offering does not close, we have arranged a backstop commitment (the "WLR Backstop Commitment") with WLR Recovery Fund IV, L.P. ("WLR Fund IV"), a fund managed by WL Ross & Co. LLC ("WL Ross"). Funds managed by WL Ross currently hold approximately 13.4% of our outstanding common shares. Pursuant to the WLR Backstop Commitment, WLR Fund IV granted Assured the option to cause the WLR Fund IV (or one of its affiliates) to purchase up to $361 million of Assured common shares at a price per share equal to the volume weighted average price of an Assured common share on the NYSE for the 20 NYSE trading days ending with the last NYSE trading day immediately preceding the date of the closing under the Purchase Agreement, with a floor of $6.00 and a cap of $8.50. See also "Underwriting Purchase of Shares by WLR Fund IV."

Financial Products Agreements

Guaranteed Investment Contracts

Until November 2008, FSAH issued through its Financial Products business FSA-insured GICs and other investment agreements to municipalities and other market participants (the "GIC Business"). In November 2008, FSAH ceased to issue new GICs in anticipation of the Acquisition. The GICs were issued through the GIC Issuers, specifically FSAH's non-insurance subsidiaries FSA Capital Management Services LLC, FSA Capital Markets Services LLC and FSA Capital Markets Services (Caymans) Ltd. In return for an initial payment, each GIC entitles its holder to receive the return of the holder's invested principal plus interest at a specified rate and to withdraw principal from the GIC as permitted. FSA insures all GICs issued by the GIC Issuers.

The GICs issued by the GIC Issuers generally can be categorized as "municipal GICs" and "non-municipal GICs". Within municipal GICs, the majority of these GICs relate to debt service reserve funds and construction funds. Under the category of non-municipal GICs, the majority of these GICs were issued to issuers of credit-linked notes that provide credit protection with respect to collateralized debt obligations backed by asset-backed securities and with respect to collateralized loan obligations.

The proceeds of GICs issued by the GIC Issuers were loaned to FSAM pursuant to certain intercompany financing agreements between the GIC Issuers and FSAM (the "Existing Intercompany Financings"). FSAM in turn invested these funds in fixed-income obligations (primarily RMBS but also short-term investments, securities issued or guaranteed by U.S. government sponsored agencies, taxable municipal bonds, securities issued by utilities, infrastructure-related securities, collateralized debt obligations, other asset-backed securities and foreign currency denominated securities) that satisfied FSA's investment criteria (the "FSAM assets"). The terms governing FSAM's repayment of GIC proceeds to the GIC Issuers under the Existing Intercompany Financings are intended to match the payment terms under the related GIC. To allow it to satisfy these matched payment obligations, when FSAM invested the GIC proceeds in FSAM assets, it also entered into various derivative transactions to convert most fixed-rate FSAM assets and GIC liabilities into London Interbank offered rate ("LIBOR")-based floating rate assets and liabilities, and to convert non-US dollar-denominated FSAM assets to US dollar-denominated assets (the "FSAM Hedging Arrangements").

Credit and Liquidity Risk of the GIC Business

FSAH historically relied on interest income on the FSAM assets and net payments received under the FSAM Hedging Arrangements to fund its net interest expense and operating expenses. The Financial Products business model in large part depended on operating cash flow from interest and principal payments on the FSAM assets to provide sufficient liquidity to pay the GICs on a timely basis. FSAH also sought to manage the Financial Products business liquidity risk through the maintenance of liquid collateral and liquidity agreements. During the course of 2008, the Financial Products business developed significant liquidity shortfalls as a result of a number of factors, including

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(i) greater than anticipated GIC withdrawals and terminations due, for the most part, to redemptions caused by events of default under collateral debt obligations backed by asset-backed securities and under collateralized loan obligations; (ii) slower than anticipated amortization of RMBS, which comprise most of the portfolio of FSAM assets; (iii) redemption/collateralization requirements triggered by the downgrade of FSA's ratings; and (iv) a significant decline in market value of certain of the FSAM assets due to a general market dislocation, leading to many of the FSAM assets becoming illiquid.

Unscheduled withdrawals of principal allowed by the terms of the GICs have increased due to a number of factors and have largely been associated with non-municipal GICs. The majority of non-municipal GICs insured by FSA were purchased by issuers of credit-linked notes that provide credit protection with respect to collateralized debt obligations that are backed by asset-backed securities and by collateralized loan obligations that are backed by corporate debt obligations. These issuers of credit-linked notes typically sell synthetic credit protection by entering into a CDS referencing specified asset-backed or corporate obligations. A CDS is a derivative transaction in which a protection seller agrees to make certain credit protection payments to a protection buyer in connection with an interest or principal shortfall on an identified debt or loan obligation or upon the occurrence of a bankruptcy or other credit event involving the obligor thereunder in exchange for certain payments made by the protection buyer to the protection seller. These GICs may be and in many cases have been drawn earlier than expected to fund credit protection payments due by the credit-linked note issuer under the related credit default swap or upon an acceleration of the related credit-linked notes following an event of default under the related transaction documents.

Further, liquidity requirements related to FSA's ratings have increased as FSA has been downgraded or placed on negative outlook by the three major rating agencies. Certain of the FSA-insured GICs allowed for withdrawal of GIC funds in the event of a downgrade of FSA below AAA by S&P or Aaa by Moody's unless the GIC Issuer posted liquid collateral or otherwise enhanced its credit. Such downgrades resulted in the need to post liquid collateral to the related GIC holder or the need to raise funds to satisfy GIC withdrawals. In addition to additional liquidity requirements caused by downgrades of FSA's ratings to its current levels under certain GICs, most FSA-insured GICs allow for withdrawal of GIC funds in the event of a downgrade of FSA below AA- by S&P or Aa3 by Moody's, unless the GIC Issuer posts liquid collateral or otherwise enhances its credit. Some FSA-insured GICs also allow for withdrawal of GIC funds in the event of a downgrade of FSA, typically below A3 by Moody's or A- by S&P, with no right of the GIC Issuer to avoid such withdrawal by posting collateral or otherwise enhancing its credit. Such additional downgrades after the closing date could result in the need to post a significant amount of additional liquid collateral to the related GIC holders or the need to satisfy GIC withdrawals earlier than expected.

In June 2008, affiliates of Dexia entered into a committed revolving credit facility and a securities lending facility to provide the GIC Subsidiaries access to funds and liquid collateral to meet the collateral posting and withdrawal obligations under the GICs.

A downgrade of FSA below AA- by S&P or Aa3 by Moody's would result in a significant increase in the collateral required to be posted to avoid GIC withdrawals or terminations and could result in a significant increase in the amount required to fund withdrawals and terminations of the GICs. In such event, the GIC Issuers would require additional sources of funds to satisfy such withdrawals as described in " GIC Business Documents" below. In addition, assets posted as collateral are subject to changes in market value and ratings. Such changes may reduce the value of the collateral or disqualify the assets as eligible collateral under the applicable collateral posting requirements. To meet the increased payment and collateral posting requirements, the GIC Issuers would request additional funds and liquid assets from FSAM under the Master Repurchase Agreement described below, and FSAM will require additional funds and liquid assets to meet these requests.

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As a result of the significant decline in asset value of the FSAM assets and the November 2008 cessation of issuing GICs, the GIC business changed from a business focused on attaining positive net interest margin to a run-off business currently seeking to minimize liquidity risk and optimize asset recovery values by preventing or delaying sales of FSAM assets to meet these increased liquidity requirements. A significant condition to consummating the Acquisition is the segregation or separation of the Financial Products business from FSAH such that the credit and liquidity risks of the Financial Products business reside with Dexia, with FSA protected against any future Dexia credit impairment.

In connection with the Acquisition and this segregation or separation of the Financial Products business, FSAH will transfer the ownership interest in the GIC Subsidiaries to a subsidiary of Dexia Holdings. We have taken or will take steps in structuring the GIC Business documents described below to isolate the assets of the GIC Subsidiaries from the insolvency risk of Dexia and its affiliates and reduce the likelihood that these assets will be subject to an insolvency proceeding, including by amending the organizational documents of the GIC Subsidiaries to preserve their corporate separateness from Dexia and its other affiliates and to require the affirmative consent of two independent directors and, except at FSAM, the director nominated by FSA to any voluntary bankruptcy petition by a GIC Subsidiary, by including standard and customary nonpetition and limited recourse provisions in most of the agreements entered into by the GIC Subsidiaries and by taking other steps customarily taken with respect to isolating special purpose entities from the insolvency of their parent companies.

Even though FSAH will no longer own the GIC Subsidiaries after the Acquisition, FSA's guarantees of the GICs will remain in place. While FSAH as of November 2008 has ceased to issue new GICs, GIC obligations in an outstanding principal amount of approximately $13,456,400,680 were outstanding as of March 31, 2009.

GIC Business Documents

To address the credit and liquidity risks of the GIC business summarized above, the following discussion summarizes the significant agreements, which we refer to as the "GIC Business documents," to be entered into on or prior to the closing of the Acquisition to mitigate the credit and liquidity risks associated with the GIC business and the related FSA guarantees.

Guaranteed Liquidity Facilities In connection with the transactions contemplated by the Purchase Agreement, affiliates of Dexia will increase their aggregate liquidity commitment to FSAM from $8.5 billion to $11.5 billion. The liquidity commitments will be comprised of an amended and restated revolving credit agreement (the "Liquidity Facility") pursuant to which Dexia Crédit Local S.A. ("DCL") and Dexia Bank Belgium SA ("DBB") will commit to provide funds to FSAM in an amount up to $8.0 billion (approximately $2,855,000,000 was outstanding under the revolving credit facility as of March 31, 2009), and a master repurchase agreement (the "Repurchase Facility Agreement" and, together with the Liquidity Facility, the "Guaranteed Liquidity Facilities") pursuant to which DCL will provide up to $3.5 billion (based on market value) of eligible collateral to satisfy collateralization obligations of the GIC Issuers under the GICs or of FSAM under the FSAM Hedging Arrangements. In accordance with the terms of the Guaranteed Liquidity Facilities, FSAM's obligations to pay certain fees payable under the Guaranteed Liquidity Facilities are subordinated to the GIC Subsidiaries' obligations under the GICs and the FSAM Hedging Arrangements that are guaranteed by FSA and to reimburse FSA for any amounts paid under the FSA guarantees related to the GICs and FSAM Hedging Arrangements. In addition, following a Dexia event of default, FSAM will only be required to pay these fees to the extent certain conditions under the Pledge and Administration Agreement have been met, including, among other things, that FSAM owns a portfolio of liquid securities having an aggregate market value in excess of the aggregate unpaid principal balance of the GICs plus certain additional amounts described in the Pledge and Administration Agreement (such conditions, the "Subordinated Claims Payment Condition").

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The terms of the Guaranteed Liquidity Facilities will generally extend to the date on which all of the GICs have been paid in full, provided that upon a Dexia event of default under the Pledge and Administration Agreement described below, FSAM will be entitled to request one final advance under each Guaranteed Liquidity Facility in an aggregate amount expected to be sufficient to repay the principal and interest on the GICs as they become due and payable over time, after giving effect to any collateral posted under the credit support annexes to the Dexia Put Contracts described below.

Dexia Put Contracts Dexia and DCL will jointly and severally guarantee the scheduled payments of interest and principal in relation to each FSAM asset, as well as any failure to provide liquidity or liquid collateral under the Guaranteed Liquidity Facilities under two separate ISDA Master Agreements, each with its associated schedule, confirmation and credit support annex (the "Guaranteed Put Contract" and the "Non-Guaranteed Put Contract" respectively, and collectively, the "Dexia Put Contracts"). The Guaranteed Put Contract is so described because Dexia's obligations under the put contract are generally guaranteed by the Sovereign Guarantee. The Dexia Put Contracts also reference separate portfolios of FSAM assets. Initially, the aggregate principal balance of FSAM assets related to the Guaranteed Put Contract is expected to equal approximately $11,860,117,795, and the aggregate principal balance of FSAM assets related to the Non-Guaranteed Put Contract is expected to equal approximately $4,510,787,416. The assets owned by FSAM as of September 30, 2008 were allocated to the Guaranteed Put Contract and the Non-Guaranteed Put Contract based on discussions between Dexia and the French State and the Belgian State (collectively, the "States"), with the less liquid and more deeply discounted assets generally being allocated to the Guaranteed Put Contract.

Under the Dexia Put Contracts the obligation of Dexia and DCL to provide amounts to FSAM will arise pursuant to the occurrence of any of the following events (each, a "Put Trigger"):

- a payment default by DCL or DBB under any Guaranteed Liquidity Facility (a "Liquidity Default Trigger");
- a failure by either Dexia or DCL to transfer the required amount of eligible collateral under the credit support annex of the applicable Dexia Put Contract (a "Collateral Default Trigger");
- the occurrence of an insolvency event with respect to Dexia as set forth in the Dexia Put Contracts (a "Bankruptcy Trigger"); and
- with respect to an FSAM asset, the failure of the issuer of that FSAM asset to pay the full amount of the expected principal or interest when due, a writedown or applied loss resulting in a reduction of the outstanding principal amount of that FSAM asset, or the attribution of a principal deficiency or realized loss resulting in a reduction or subordination of the current interest payable on that FSAM asset (an "Asset Default Trigger").

In the event that the applicable Dexia party fails to provide liquidity or collateral as required under the Guaranteed Liquidity Facilities, FSAM may, pursuant to a Liquidity Default Trigger or Collateral Default Trigger, put to Dexia and DCL certain of the FSAM assets in exchange for an amount equal to such failure, with such amounts being available to satisfy the GIC Issuers' obligations under the GICs and/or FSAM's obligations under the FSAM Hedging Arrangements.

If a Dexia bankruptcy has occurred, FSAM may, pursuant to a Bankruptcy Trigger, put to Dexia and DCL the relevant FSAM assets with a value equal to the lesser of (i) the aggregate outstanding principal amount of all FSAM assets in the relevant portfolio and (ii) the aggregate outstanding principal balance of all of the GICs.

If an Asset Default Trigger arises with respect to any FSAM asset, FSAM may put to Dexia and DCL that FSAM asset in exchange for the outstanding principal amount of that FSAM asset. Dexia and DCL have the right, however, to elect to pay the difference between the amount of the expected principal or interest payment and the amount of the actual principal or interest payment, in each case, as such amounts come due.

In the event Dexia and DCL fail to perform under the Guaranteed Put Contract, FSAM may exercise a guarantee call under the Sovereign Guarantee. See " Sovereign Guarantee" below.

To secure each Dexia Put Contract, Dexia and DCL will post under each put contract to the respective custodian from time to time eligible collateral having an aggregate value (subject to agreed "haircuts") equal to at least the excess of (i) the aggregate principal amount of all outstanding GICs over (ii) the aggregate mark-to-market value of FSAM's assets; provided that prior to September 29, 2011 (the "Expected First Collateral Posting Date") the aggregate mark-to-market value of the FSAM assets related to the Guaranteed Put Contract will be deemed to be equal to the aggregate unpaid principal balance of these assets for purposes of this calculation. Additional collateralization is required in respect of certain other liabilities of FSAM, including certain net posting obligations of FSAM under the FSAM Hedging Arrangements, an agreed costs amount for running the GIC business and the expected negative carry associated with the GICs that would be borne by FSAM following a Dexia event of default. The valuation of the aggregate mark-to-market value of the FSAM assets and the posted collateral will occur at least weekly. Dexia's and DCL's obligation to post collateral or right to receive the return of excess collateral is subject, in either case, to satisfaction of the applicable threshold of $5 milllion, among other conditions.

Because the FSAM assets related to the Guaranteed Put Contract will be valued at their aggregate unpaid principal balance prior to the Expected First Collateral Posting Date, it is expected that Dexia and DCL will not be required to post collateral until the Expected First Collateral Posting Date. A failure by Dexia and DCL to post the amount described in the immediately preceding paragraph on the Expected First Collateral Posting Date will be covered by the Sovereign Guarantee. In the event of an ISDA event of default under the Dexia Put Contracts, FSAM may declare an early termination date and retain collateral posted by Dexia and DCL in accordance with the credit support annexes.

Notwithstanding the provisions for the calculation of posting of collateral with respect to the Dexia Put Contracts set forth above, and because many GICs provide that the collateral posting obligations and withdrawals that would arise following a downgrade of FSA would not be applicable if the relevant GIC Issuer is rated above certain levels at the time of any such downgrade of FSA, if each of Moody, S&P and Fitch confirm that the GIC issuers' obligations in relation to the GICs will be rated at least "Aa2/AA/AA" respectively (without giving effect to the retained FSA guarantees on the GICs) with a lesser amount of collateral being required to be posted by Dexia and DCL under the credit support annexes, then the collateral required to be posted under the credit support annexes will be reduced to such lesser amount acceptable to the rating agencies.

Under each of the Dexia Put Contracts, FSAM will pay to Dexia and DCL a premium quarterly in arrears (the "Put Premium"). FSAM's obligation to pay the Put Premium is subordinated to the GIC Subsidiaries' obligations under the GICs and the FSAM Hedging Arrangements that are guaranteed by FSA and to reimburse FSA for any amounts paid under the FSA guarantees related to the GICs and FSAM Hedging Arrangements and a failure by FSAM to pay the Put Premiums is not an event of default under the Put Contracts. In addition, following a Dexia event of default, FSAM will only pay the Put Premiums if the Subordinated Claims Payment Condition is satisfied.

Sovereign Guarantee Pursuant to a guarantee issued by the States of Belgium and France (the "Sovereign Guarantee") to FSAM, the States will guarantee Dexia's obligations severally but not jointly under the Guaranteed Put Contract, subject to any applicable limitations set forth therein. The State of Belgium is responsible for 60.5/97 of the Sovereign Guarantee and the State of France is responsible for 36.5/97 of the Sovereign Guarantee. The Sovereign Guarantee will directly guarantee, for the benefit of FSAM (and indirectly for the benefit of the GIC Issuers and FSA), the payment obligations of Dexia under the Guaranteed Put Contract in respect of Liquidity Default Triggers, Collateral Default Triggers, the Bankruptcy Trigger and Asset Default Triggers. To the extent FSAM fails to make a timely call under the Sovereign Guarantee, FSA will have the right to request payment from the States thereunder. Under a sovereign guarantee reimbursement agreement, Dexia, and not the GIC Subsidiaries, is obligated to pay the guarantee fee due and payable to the States under the Sovereign Guarantee and reimburse the States for certain amounts paid under the Sovereign Guarantee, but a failure by Dexia to pay the guarantee fee or any other amounts required to be paid or reimbursed under the sovereign guarantee reimbursement agreement is not a defense or condition to the obligations of the States under the Sovereign Guarantee.

The States' guaranty with respect to Liquidity Default Triggers and Collateral Default Triggers is scheduled to expire on October 31, 2011 (the "Liquidity and Collateral Trigger Expiration Date"). The States' guaranty with respect to the related defaulted FSAM assets or a Dexia bankruptcy is scheduled to expire on the earlier of (x) the final maturity of the latest maturing of the remaining FSAM assets related to the Guaranteed Put Contract, and (y) March 30, 2035. The Sovereign Guarantee may terminate early if FSAM elects to undertake a Refinancing and meets the necessary requirements described in " Pledge and Administration Agreement" below.

Master Repurchase Agreement FSAM and the GIC Issuers will amend, restate and consolidate the Existing Intercompany Financings prior to the Acquisition into one master repurchase agreement where each GIC Issuer will be a "buyer" and FSAM will be the "seller" (the "Master Repurchase Agreement"). All of the outstanding indebtedness of FSAM under the Existing Intercompany Financings will continue to be outstanding under the Master Repurchase Agreement, and FSAM's obligations to the GIC Issuers under the Master Repurchase Agreement will be secured under the Pledge and Administration Agreement. Amounts or collateral received by FSAM under the Guaranteed Liquidity Facilities or the Dexia Put Contracts will be transferred to the GIC Issuers for application to the related GICs pursuant to the Master Repurchase Agreement. If FSAM elects to undertake a Refinancing as described in " Pledge and Administration Agreement" below, FSAM will, among other things, assign its rights and obligations under the Master Repurchase Agreement to a successor entity.

Dexia FP Guarantee Pursuant to a guarantee jointly and severally issued by Dexia and DCL to FSA (the "Dexia FP Guarantee"), all of the GIC Subsidiaries' payment and/or collateral posting obligations under the GICs and the FSAM Hedging Arrangements that are guaranteed by FSA will be guaranteed by Dexia and DCL. FSAM's obligations to reimburse Dexia and DCL for amounts paid under the Dexia FP Guarantee and to pay the related guarantee fee will be subordinated to the GIC Subsidiaries' obligations under the GICs and the FSAM Hedging Arrangements that are guaranteed by FSA and to reimburse FSA for any amounts paid under the FSA guarantees related to the GICs and FSAM Hedging Arrangements. In addition, following a Dexia event of default, FSAM will only pay the guarantee fee under the Dexia FP Guarantee if the Subordinated Claims Payment Condition is satisfied. Any failure by FSAM to reimburse Dexia and DCL for amounts paid under the Dexia FP Guarantee or to pay the related guarantee fee is not a defense or condition to the obligations of Dexia and DCL under the Dexia FP Guarantee. See " Pledge and Administration Agreement" below.

Dexia GIC Indemnity Pursuant to an indemnification agreement between FSA, Dexia and DCL (the "Dexia GIC Indemnity"), Dexia and DCL will indemnify FSA for certain losses, liabilities and damages (including reasonable costs and expenses) incurred by FSA or any affiliate of FSA related to the GIC business or any of the transactions related to the isolation and segregation of the GIC business that are not otherwise reimbursed pursuant to the Dexia FP Guarantee.

Pledge and Administration Agreement Pursuant to the pledge and administration agreement among Dexia, DCL, Dexia FP Holdings Inc. ("Dexia FP"), the GIC Subsidiaries, FSA and the Collateral Agent (the "Pledge and Administration Agreement"), Dexia, DCL and the GIC Subsidiaries have granted security interests to the Collateral Agent for the benefit and security of the secured

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parties therein (including FSA) over all of their right, title and interest in, to and under the FSAM assets, the collateral posted by Dexia or DCL under the Dexia Put Contracts, and other related assets.

Also pursuant to the Pledge and Administration Agreement, Dexia FP has granted a security interest to the Collateral Agent for the benefit and security of FSA over all of its right, title and interest in HF Services LLC ("HF Services"), including any and all management, voting, approval and other rights of Dexia FP under the organizational documents of HF Services to secure the payment of all amounts due on all of the indebtedness, liabilities and obligations owed from time to time by FSAM and the GIC Issuers to FSA.

Unless a Dexia event of default has occurred, Dexia will direct the day to day operations of the GIC Subsidiaries and will direct the management of the assets and liabilities of the GIC Subsidiaries, including but not limited to cash management, asset liability management and other normal day to day operations of the GIC Subsidiaries through the Administrator (as defined below). If a Dexia event of default has occurred, FSA will have the right to exercise the directing rights described in this paragraph.

In addition, FSAM has agreed not to sell or liquidate any FSAM asset other than with the prior consent of Dexia, unless a Dexia event of default has occurred, and not to sell or liquidate any FSAM asset other than for consideration equal to the par amount thereof plus accrued interest, without the consent of FSA.

A "Dexia event of default" under the Pledge and Administration Agreement will include the following:

- the occurrence of any ISDA event of default under either of the Dexia Put Contracts;
- the non-payment by any Dexia party or any affiliate of any required payment in accordance with the terms of any Dexia guarantee, the Dexia Put Contracts or the Dexia GIC Indemnity where (i) the amount of such non-payment, taken together with any other outstanding and uncured failures to make payments or deliveries by any Dexia party or any affiliate exceeds $10,000,000 and (ii) such non-payment is not remedied by a cure generally within 5 business days of the receipt of notice of such nonpayment; and
- certain events of bankruptcy in respect of Dexia or its affiliates or the GIC Subsidiaries occurring and continuing at any time.

Upon the occurrence of a Dexia event of default, FSA may take any or all of the following actions:

- cause the repurchase date to occur in respect of all or any part of the transactions entered into under the master repurchase agreement, exercise the rights of a secured party in relation to the collateral, and direct the collateral agent to exercise all rights to vote or give directions or consents as a holder of such collateral following enforcement of its security interest;
- terminate the Administrative Services Agreement (as defined below) or replace the Administrator thereunder or direct the management of the Administrator by foreclosing upon its security interest in the equity of HF Services;
- with respect to the Non-Guaranteed Put Contract, designate an "early termination date," demand payment of any related early termination payments and exercise the rights of a secured party in relation to the collateral posted under the Non-Guaranteed Put credit support annex;
- with respect to the Guaranteed Put Contract, if the Dexia event of default also constitutes an ISDA event of default, designate an "early termination date," demand payment of any

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related early termination payments and exercise the rights of a secured party in relation to the collateral posted under the credit support annex; and

maintain any Dexia guarantees in force, make claims in accordance with the terms of any Dexia guarantee, any liquidity facility or the Sovereign Guarantee (if the Guaranteed Put Contract has not been terminated) and apply any collateral to unpaid liabilities of FSAM.

In addition, either pursuant to the occurrence of a Dexia event of default or upon the satisfaction of certain conditions relating to the refinancing of Dexia's obligations under the GIC Business documents (the "Refinancing"), FSA may elect to refinance its obligations related to the GICs by terminating the Master Repurchase Agreement, the Sovereign Guarantee, and the Dexia Put Contracts and releasing certain other assets from the Collateral Agent's lien under the Pledge and Administration Agreement, the proceeds of which will be invested in certain permitted investments, as contemplated in the Pledge and Administration Agreement. In order to effect a Refinancing, the following conditions among others must be satisfied, as follows: (i) FSAM must redeem the Master Repurchase Agreement or transfer and novate its rights and obligations under the Master Repurchase Agreement to a successor entity designated by FSA (the "FSAM Successor") such that the GIC Issuers or the FSAM Successor hold cash or permitted investments equal to the sum of the aggregate outstanding amount of all GIC business related liabilities plus 25% of the agreed costs amount for running the GIC business; (ii) the rating agencies must have confirmed that after the Refinancing the GIC Issuers will be rated at least "Aa2" by Moody's, at least "AA" by S&P and at least "AA" by Fitch, and that the rating of FSA will not be downgraded, qualified or withdrawn; (iii) all of FSA's guarantees on the FSAM Hedging Arrangements must have been released by the counterparties thereto; and (iv) the remaining FSAM Hedging Arrangements must have been transferred and novated to the FSAM Successor or other entity designated by FSA.

Administrative Services Agreement Pursuant to an administrative services agreement, to be entered on or prior to the closing date (the "Administrative Services Agreement"), among the GIC Subsidiaries, Dexia, DCL, FSA and HF Services (the "Administrator"), the Administrator will supervise, direct and manage the assets, liabilities, operations and business of the GIC Subsidiaries including performance of their respective obligations under the GIC Business documents. The Administrator will manage the GIC business of the GIC Subsidiaries substantially in accordance with the requirements under the Pledge and Administration Agreement. The employees of the Administrator will initially be comprised of former employees of FSA in its Financial Products segment. Upon a Dexia event of default, FSA may pursuant to its security interest in the equity of the Administrator direct the activities of the Administrator or replace the Administrator in accordance with the Administrative Services Agreement.

Medium Term Note Business and Leveraged Tax Lease Business

The MTN Business The "MTN Business" refers to the medium-term note ("MTN") issuance program of FSA Global Funding Limited ("FSA Global"). Under the MTN Business, MTNs were issued by FSA Global and are insured under financial guarantee insurance policies issued by FSA. The proceeds of the MTNs are used to purchase notes issued by Cypress Point Funding Limited ("Cypress") and other non-affiliated entities. The MTNs are secured by all of the assets of FSA Global, including the A-Loans (as defined below). The notes securing the MTNs are also insured under financial guarantee insurance policies issued by FSA. The MTNs and the notes issued by Cypress are also supported by interest rate swaps, currency swaps and basis swaps, each of which are insured under financial guarantee insurance policies issued by FSA. As of March 31, 2009, the aggregate outstanding principal balance of MTNs is $1,600,000,000.

Under the Purchase Agreement, DHI will retain all rights and obligations related to and incurred in connection with the operation of the MTN Business and have all existing and future

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economic risks, benefits and profits associated with that business. There are no Sovereign Guaranties with respect to the MTN Business or the Leveraged Tax Lease Business. Following the closing date, FSA Global will be consolidated with DHI.

The Leveraged Tax Lease Business The "Leveraged Tax Lease Business" refers to leveraged-lease transactions involving FSA Global, Premier International Funding Co. ("Premier"), various lessees and various lessor trusts. In certain transactions under the Leveraged Tax Lease Business, a debt payment undertaking agreement ("Debt PUA") and/or an equity payment undertaking agreement ("Equity PUA") were entered into by Premier in exchange for cash payments by the related lessee in an amount sufficient to defease the lessee's rental obligation under the related lease. In conjunction with its issuance of a Debt PUA, Premier received a note in a corresponding amount from FSA Global (the "Debt PUA Note") and in conjunction with its issuance of an Equity PUA, Premier received a note in a corresponding amount from FSA Global (the "Equity PUA Note"). In conjunction with its issuance of each Debt PUA Note, FSA Global received a loan certificate from the related lessor trust (each, an "A-Loan"). In each transaction, the repayment of the A-Loans is secured by the related Debt PUA which is in turn insured by FSA.

Monthly payments are made under the A-Loans and Debt PUA Notes to reduce the outstanding amount of the A-Loans and Debt PUA Notes and to reduce FSA's exposure under its financial guaranty insurance policies that insure the Debt PUAs. As of March 31, 2009, the outstanding amounts of A-Loans and Debt PUA Notes were $6,200,000,000 and $6,200,000,000, respectively.

Under the Purchase Agreement, Assured has agreed to be responsible for all rights and obligations related to the operation of the Leveraged Tax Lease Business and the FSA insurance policies insuring the Debt PUAs and the Debt PUA Notes. Under the Purchase Agreement, DHI has agreed to assume all rights and obligations relating to the Equity PUA Notes and the Equity PUAs and to hold FSA harmless and indemnify FSA for its obligations under the FSA insurance policies relating to the Equity PUA Notes and the Equity PUAs. For purposes of the remainder of this prospectus supplement, "MTN Business" includes the Equity PUAs, the Equity PUA Notes and the related FSA Policies on the Equity PUAs and Equity PUA Notes.

The Separation Agreement Under the Separation Agreement among DCL, FSA, Financial Security Assurance International Ltd. ("FSA International" and, together with FSA, the "FSA Parties"), FSA Global and Premier:

- DCL will (i) assume all rights and obligations related to and incurred in connection with the operation of the MTN Business and (ii) manage the day-to-day operations of the MTN Business, and

- FSA will (i) retain all rights and obligations related to and incurred in connection with the operation of the Leveraged Tax Lease Business (other than Equity PUA Notes and the FSA insurance policies relating to the Equity PUA Notes) and (ii) manage the day-to-day operations of the Leveraged Tax Lease Business.

The Separation Agreement provides that so long as no DCL Event of Default (as defined below) has occurred and is continuing, DCL and the FSA Parties will cooperate reasonably and in good faith to determine how the applicable FSA Party will exercise the consent rights, direction rights and other rights that it has as insurer ("FSA Rights") under any transaction document relating to the MTN Business (such determination is referred to as a "Mutual Determination"). Neither DCL, nor any of its affiliates, nor any FSA Party, nor any of their respective affiliates, may seek to exercise any FSA Right except pursuant to a Mutual Determination or as otherwise mutually agreed by DCL and the applicable FSA Party. If a DCL Event of Default has occurred and is continuing, the FSA Parties will be permitted to exercise most FSA Rights without consultation with, or consent from, DCL.

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Funding of FSA Policy Claims Under the Separation Agreement and the DCL Guarantees (as described below), DCL will agree to fund, on behalf of the FSA Parties, 100% of all policy claims made under the financial guaranty insurance policies issued by the FSA Parties (the "FSA Policies") in relation to the MTN Business. Without limiting DCL's obligation to fund 100% of all policy claims under those FSA Policies, the FSA Parties will have a separate obligation to remit to DCL a certain percentage (ranging from 0% to 25%) of those policy claims. In the event that prior to a claim under an FSA Policy, the related FSA Party determines that a loss under that FSA Policy is probable and reasonably determinable, that FSA Party may be required to establish a statutory loss reserve against such loss.

Subrogation and Reimbursement Recoveries All subrogation and reimbursement recoveries will be applied by the related FSA Party first to the payment of any and all expenses paid or incurred by that FSA Party in pursuing or collecting those recoveries, and any remaining amounts will be applied by that FSA Party ratably to DCL, that FSA Party and any reinsurers. Recourse by an FSA Party or DCL in respect of the obligations of FSA Global and Premier is generally limited to the assets of FSA Global and Premier.

Reinsurance Proceeds Following the payment by DCL of any policy claim under a DCL Guarantee (as described below), to the extent that an FSA Party receives any reinsurance proceeds relating to that policy claim, that FSA Party will generally be obligated to remit to DCL those reinsurance proceeds.

DCL Events of Default A "DCL Event of Default" means any one of the following events:

- any failure by DCL to make a payment under a DCL Guarantee that is not cured within the applicable cure period if that uncured failure, together with the cumulative amount of previous uncured DCL Guarantee payment failures, would cause the cumulative amount of all DCL Guarantee payment failures to exceed $10,000,000;

- DCL fails to post $10,000,000 in collateral as and when required under the Separation Agreement following the eighth failure of DCL to make a timely payment under a DCL Guarantee (as described below);

- a DCL payment failure (other than a DCL guarantee payment failure) in excess of $25,000,000 that is not cured within the applicable cure period and that is not a good faith contested payment; or

- a bankruptcy event with respect to DCL.

Administration Under an administrative agency agreement, FSA Global and Premier will appoint (i) DCL, as administrator, to perform the duties of FSA Global and Premier under the transaction documents for the MTN Business and (ii) FSA, as administrator, to perform the duties of FSA Global and Premier under the transaction documents for the Leveraged Tax Lease Business.

Under an administrative services agreement, (i) DCL will appoint HF Services, as sub-administrator, to perform the administrative duties of DCL under the administrative agency agreement in connection with the MTN Business and (ii) FSA will appoint HF Services, as sub-administrator, to perform the administrative duties of FSA under the administrative agency agreement in connection with the Leveraged Tax Lease Business.

DCL Guarantees On the closing date, DCL will enter into a Funding Guaranty and a Reimbursement Guaranty, each for the benefit of FSA and Financial Security Assurance International, Ltd. (the "Beneficiaries").

Under the Funding Guaranty, DCL will guaranty, for the benefit of each Beneficiary, the payment to or on behalf of the relevant Beneficiary of an amount equal to the payment required to be

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made under an FSA Policy by that Beneficiary. No later than 12:00 p.m. New York time on the later of (i) one Business Day following receipt by DCL of a notice of claim under an FSA Policy, and (ii) one Business Day prior to the date the related obligation is due under the relevant FSA Policy, DCL will make payment either (A) to an account of the beneficiary of the applicable FSA Policy, or (B) to the account specified by the Beneficiary.

Under the Reimbursement Guaranty, DCL will guaranty, for the benefit of each Beneficiary, the reimbursement of the applicable Beneficiary for payments made by that Beneficiary following a claim for payment under an obligation insured by an FSA Policy. No later than 12:00 p.m. New York time on the business day following delivery of a notice to DCL of a reimbursement obligation due to a Beneficiary, DCL will make payment to the account specified by the Beneficiary.

In consideration for the DCL Guarantees, unless a DCL Event of Default or potential DCL Event of Default has occurred and is continuing, FSA Global, Premier and Cypress will be obligated to pay directly to DCL a guarantee fee in an amount equal to all insurance premiums paid by each of them after the Closing Date in connection with the FSA Policies less the portion of such premium relating to the risks retained by FSA and less the portion of such premiums owed to reinsurers.

Indemnification Agreement On the closing date, FSA, Assured and DCL will enter into an Indemnification Agreement (the "Indemnification Agreement") under which:

- Assured will indemnify DCL and related parties for losses incurred after the Closing Date arising out of or related to the Leveraged Tax Lease Business (other than the Equity PUA Notes and the FSA insurance policies relating to the Equity PUA Notes) and the breach by FSA or certain other parties of their covenants under the Separation Agreement and related agreements; and

- DCL will indemnify FSA, Assured and related parties for losses incurred after the Closing Date arising out of or related to the MTN Business, the breach by DCL or certain other parties of their respective covenants, representations and warranties under the Separation Agreement and related agreements, and certain other events.

The indemnities described above are in addition to any liability which the indemnifying party may otherwise have under the Separation Agreement or otherwise and are subject to the limitations and qualifications set forth in the Indemnification Agreement.

The Strip Coverage Liquidity and Security Agreement Under the Strip Coverage Liquidity and Security Agreement between DCL, acting through its New York Branch ("DCL(NY)"), and FSA (the "Strip Agreement"), DCL(NY) has agreed to make loans to FSA, for the purpose of financing the payment of claims under certain financial guaranty insurance policies ("Strip Policies") that were issued by FSA, or an affiliate or subsidiary of FSA, relating to the equity strip portion of the Leveraged Tax Lease Business that FSAH is retaining. The "equity strip portion" refers to the amount by which the equity portion of the termination payment owed by the lessee to the lessor trust following the early termination of the related lease exceeds the accreted value of the Equity PUA. FSA may request advances under the Strip Agreement without any explicit limit on the number of loan requests, provided that the aggregate principal amount of loans outstanding as of any date may not exceed the Commitment Amount (as defined below) on that date. Amounts borrowed under the Strip Agreement may not be reborrowed. The loans will be secured by FSA's recovery rights in respect of claims under the Strip Policies.

DCL(NY)'s commitment to make any loan to FSA is subject to the satisfaction by FSA of customary conditions precedent, including compliance with financial covenants, and will terminate at the earlier of (A) the occurrence of a change of control with respect to FSA, (B) the reduction of the Commitment Amount (as defined below) to $0 and (C) January 31, 2042.

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The "Commitment Amount" will initially be $1,000,000,000. FSA has the right, without premium or penalty, to voluntarily reduce the Commitment Amount in whole or in part. The Commitment Amount is also subject to mandatory reduction in the amounts and on the dates described in the Strip Agreement in connection with (i) the scheduled amortization of the Commitment Amount and (ii) a reduction of the Commitment Amount if FSA fails to maintain a specified consolidated net worth.

Upon the occurrence of an Event of Default (as defined below), DCL(NY) may take any or all of the following actions: (A) terminate DCL(NY)'s commitment to make loans and (B) declare the principal of and any accrued interest in respect of all loans and the note to be due and payable. Any of the following events constitutes an "Event of Default":

- an FSA default in the payment when due of any principal or interest of any loan or any note or any fees or any other amounts owing under the Strip Agreement or under any note, in each case in an amount of $10,000,000 or more, and any such default is not cured during the applicable cure period;

- commencement of a voluntary or involuntary bankruptcy case concerning FSA or any of its material subsidiaries;

- a default by FSA or any of its material subsidiaries in any payment in excess of $25,000,000 with respect to any indebtedness for borrowed money; or

- any indebtedness for borrowed money in excess of $25,000,000 of FSA or any of its material subsidiaries is declared to be due and payable, or required to be prepaid, prior to the stated maturity thereof.

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ACCOUNTING TREATMENT

The net proceeds from the sale of the Corporate Units will be allocated between the purchase contracts and the notes in proportion to their respective fair market values at the time of issuance. The difference between the par value of the notes and their respective fair vaue will be amortized to interest expense over the life of the notes.

The purchase contracts are forward transactions in our common shares. Upon settlement of each purchase contract, we will receive $50 on the purchase contract and will issue the requisite number of common shares. The $50 that we receive will be credited to shareholders' equity.

Before the issuance of our common shares upon settlement of the purchase contracts, the purchase contracts will be reflected in our diluted earnings per share calculations using the treasury stock method. Under this method, the number of common shares used in calculating diluted earnings per share (based on the settlement formula applied at the end of the reporting period) is deemed to be increased by the excess, if any, of the number of shares that would be issued upon settlement of the purchase contracts over the number of shares that could be purchased by us in the market (at the average market price during the period) using the proceeds receivable upon settlement. Consequently, we anticipate that there will be no dilutive effect on our earnings per share except during periods when the average market price of our common shares is above $.

Both the Financial Accounting Standards Board and its Emerging Issues Task Force continue to study the accounting for financial instruments and derivative instruments, including instruments such as the Corporate Units. It is possible that our accounting for the purchase contracts and the notes could be affected by any new accounting rules that might be issued by these groups.

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DESCRIPTION OF THE EQUITY UNITS

The following is a summary of the terms of the Equity Units. This summary, together with the summary of some of the provisions of the related documents described below, contains a description of all of the material terms of the Equity Units but is not necessarily complete. We refer you to the copies of those documents that have been or will be filed and incorporated by reference in the registration statement of which this prospectus supplement and accompanying prospectus form a part. This summary supplements the description of the securities in the accompanying prospectus and, to the extent it is inconsistent, replaces the description in the accompanying prospectus.

We will issue the Equity Units under the purchase contract and pledge agreement among us, AGUSH, The Bank of New York Mellon, in its capacity as the purchase contract agent, and The Bank of New York Mellon, in its capacity as the collateral agent, custodial agent and securities intermediary. Equity Units may be either Corporate Units or Treasury Units. The Equity Units will initially consist of Corporate Units (or Corporate Units if the underwriters exercise their overallotment option in full), each with a stated amount of $50.

Corporate Units

Each Corporate Unit consists of:

(a) a purchase contract under which the holder will agree to purchase from us, and we will agree to sell to the holder, not later than June 1, 2012, which we refer to as the purchase contract settlement date, for $50 in cash (the "purchase contract settlement price"), a number of newly issued common shares equal to the settlement rate described below under "Description of the Purchase Contracts Purchase of Common Shares," subject to anti-dilution adjustments, and

(b) either:

(1) a 1/20, or 5%, applicable ownership interest in a $1,000 principal amount note issued by Assured Guaranty US Holdings, or

(2) following a successful remarketing of the notes during the period for early remarketing described under "Description of the Purchase Contracts Remarketing" below, or the occurrence of a special event redemption, the applicable ownership interest in a portfolio of U.S. Treasury securities, which we refer to as the "Treasury portfolio."

Because each note has a principal amount of $1,000, a holder of one Corporate Unit will not hold that note directly. Instead, a holder will own, as described above, a 1/20, or 5%, beneficial interest in the note underlying the Corporate Unit. Upon a successful remarketing during the period for early remarketing, however, the notes underlying the Corporate Units will be sold in the remarketing and will be replaced by the Treasury portfolio. This is a portfolio of U.S. Treasury securities which, in the aggregate, is expected to (i) produce sufficient cash to make the remaining interest payments on the notes as if they remained part of the Corporate Units and (ii) pay the purchase contract settlement price. Because each Treasury security in the Treasury portfolio is issued in $1,000 denominations, a holder will not own the Treasury security directly, but will own an "applicable ownership interest" in the Treasury portfolio.

The "applicable ownership interest" means, with respect to a Corporate Unit and the U.S. Treasury securities in the Treasury portfolio,

(1) for a remarketing Treasury portfolio,

a 1/20, or 5%, undivided beneficial ownership interest in $1,000 face amount of U.S. Treasury securities (or principal or interest strips thereof) included in the Treasury portfolio that matures on or prior to June 1, 2012,

if the reset effective date occurs prior to March 1, 2012, with respect to the originally scheduled quarterly interest payment date on the notes that would have occurred on March 1, 2012, an undivided beneficial ownership interest in a $1,000 interest or principal strip of U.S. Treasury security that matures on or prior to March 1, 2012 in an amount equal to the interest payment that would have been due on March 1, 2012 on a 1/20, or 5%, beneficial ownership interest in $1,000 principal amount of the notes, assuming that interest on the notes has not been reset to the reset rate and interest on the notes accrued from the reset effective date to, but excluding, March 1, 2012; and

with respect to the originally scheduled quarterly interest payment date on the notes that would have occurred on June 1, 2012, an undivided beneficial ownership interest in a $1,000 interest or principal strip of U.S. Treasury security that matures on or prior to June 1, 2012 in an amount equal to the interest payment that would have been due on June 1, 2012 on a 1/20, or 5%, beneficial ownership interest in $1,000 principal amount of the notes, assuming that interest on the notes has not been reset to the reset rate and interest on the notes accrued from the later of the reset effective date and March 1, 2012 to, but excluding, June 1, 2012.

(2) for a special event Treasury portfolio,

a 1/20, or 5%, undivided beneficial ownership interest in $1,000 face amount of U.S. Treasury securities (or principal or interest strips thereof) included in the Treasury portfolio that matures on or prior to June 1, 2012, and

for each scheduled interest payment date on the notes that occurs after the special event redemption date and on or prior to June 1, 2012, an undivided beneficial ownership interest in a $1,000 principal or interest strip of U.S. Treasury security that matures on or prior to that interest payment date in an amount equal to the interest payment that would be due on a 1/20, or 5%, beneficial ownership interest in the principal amount of the notes.

The purchase price of each Equity Unit will be allocated between the related purchase contract and the related applicable ownership interest in the notes in proportion to their respective fair market values at the time of issuance. We have determined that, at the time of issuance, the fair market value of the applicable ownership interest in the notes will be $ (per Equity Unit) and the fair market value of each purchase contract will be $ (per Equity Unit). This position generally will be binding on each beneficial owner of each Equity Unit unless certain disclosure requirements are satisfied, but will not be binding on the IRS.

As long as a unit is in the form of a Corporate Unit, any ownership interest in a note or any applicable ownership interest in the Treasury portfolio forming a part of the Corporate Unit will be pledged to us through the collateral agent to secure your obligation to purchase common shares under the related purchase contract.

If U.S. Treasury securities (or principal or interest strips thereof) that are to be included in a Treasury portfolio in connection with an early remarketing described under "Description of the Purchase Contracts Remarketing" or the occurrence of a special event redemption described under

"Description of the Notes Optional Redemption Special Event," have a yield that is less than zero, then each Corporate Unit will instead consist of:

(a) a purchase contract under which the holder will agree to purchase from us, and we will agree to sell to the holder, not later than the purchase contract settlement date, for $50 in cash, a number of our newly issued common shares equal to the settlement rate, subject to anti-dilution adjustments; and

(b) in the case of a remarketing of the notes:

(1) 1/20, or 5%, undivided beneficial ownership interest in $1,000 cash; and

(2) if the reset effective date occurs prior to March 1, 2012, with respect to the originally scheduled quarterly interest payment date on the notes that would have occurred on March 1, 2012, cash in an amount equal to the interest payment that would have been due on March 1, 2012 on a 1/20, or 5%, beneficial ownership interest in $1,000 principal amount of the notes, assuming that the interest rate on the notes has not been reset to the reset rate and interest on the notes accrued from the reset effective date to, but excluding, March 1, 2012; and

(3) with respect to the originally scheduled quarterly interest payment date on the notes that would have occurred on June 1, 2012, cash in an amount equal to the interest payment that would have been due on June 1, 2012 on a 1/20, or 5%, beneficial ownership interest in $1,000 principal amount of the notes, assuming that the interest rates on the notes has not been reset to the reset rate and interest on the notes accrued from the later of the reset effective date and March 1, 2012 to, but excluding, June 1, 2012; and

(c) in the case of a special event redemption:

(1) 1/20, or 5%, undivided beneficial ownership interest in $1,000 cash; and

(2) for each scheduled interest payment date on the notes that occurs after the "special event redemption date" and on or prior to June 1, 2012, cash in an amount equal to the interest payment that would have been due on each such scheduled interest payment date on a 1/20, or 5%, beneficial ownership interest in $1,000 principal amount of the notes, assuming that the interest rate on the notes has not been reset to the reset rate.

The cash described in clauses (b)(1) and (c)(1) above will be owned by you but will be pledged to us through the collateral agent to secure your obligation to purchase common shares under the related purchase contract. If the provisions set forth in this paragraph apply, references in this prospectus supplement to "U.S. Treasury securities" and "U.S. Treasury securities (or principal or interest strips thereof)" will, thereafter, be deemed to be references to the applicable amount of cash determined as described above.

Creating Treasury Units

Each holder of Corporate Units will have the right, at any time on or prior to the seventh business day immediately preceding the purchase contract settlement date, to substitute for the related notes held by the collateral agent, zero-coupon Treasury securities that mature on May 31, 2012 (CUSIP No. 912820PR2), which we refer to as a Treasury security, in a total principal amount at maturity equal to the aggregate principal amount of the notes for which substitution is being made; provided that no such substitution may be made during a "restricted period" described below. Because

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Treasury securities and the notes are issued in integral multiples of $1,000, holders of Corporate Units may make this substitution only in integral multiples of 20 Corporate Units.

The "restricted period" means the period commencing on, and including, the business day preceding any three-business day remarketing period as described under "Description of the Purchase Contracts Remarketing Early Remarketing" below and ending on, and including, the later of the reset effective date and the business day following the last remarketing date during that three-business day remarketing period.

Each of these substitutions will create Treasury Units, and the applicable notes or applicable ownership interests in the Treasury portfolio will be released to the holder and be separately tradable from the Treasury Units.

Each Treasury Unit will consist of a unit with a stated amount of $50 comprising:

(a) a purchase contract under which the holder will agree to purchase from us, and we will agree to sell to the holder, not later than the purchase contract settlement date, for $50 in cash, a number of newly issued common shares equal to the settlement rate, subject to anti-dilution adjustments, and

(b) a 1/20, or 5%, undivided beneficial interest in a Treasury security with a principal amount of $1,000.

To create 20 Treasury Units, unless the Treasury portfolio has replaced the notes underlying the Corporate Units, the Corporate Unit holder will:

- deposit with the collateral agent a Treasury security that has a principal amount at maturity of $1,000, which must be purchased in the open market at the Corporate Unit holder's expense, unless otherwise owned by the holder, and

- transfer 20 Corporate Units to the purchase contract agent accompanied by a notice stating that the holder has deposited a Treasury security with the collateral agent and requesting the release to the holder of the note relating to the 20 Corporate Units.

Upon the deposit and receipt of an instruction from the purchase contract agent, the collateral agent will release the related note from the pledge under the purchase contract and pledge agreement, free and clear of our security interest, to the purchase contract agent. The purchase contract agent then will:

- cancel the 20 Corporate Units,

- transfer the related $1,000 principal amount of the note to the holder, and

- deliver 20 Treasury Units to the holder.

The Treasury security will be substituted for the note and will be pledged to us through the collateral agent to secure the holder's obligation to purchase common shares under the related purchase contracts. The related note released to the holder thereafter will trade separately from the resulting Treasury Units.

Notwithstanding the foregoing, if the Treasury portfolio has replaced the notes underlying the Corporate Units, holders of Corporate Units will have the right, at any time on or prior to the second business day immediately preceding the purchase contract settlement date, to substitute Treasury securities for the applicable ownership interests in the Treasury portfolio underlying the Corporate Unit, but holders of Corporate Units can only make this substitution in integral multiples of Corporate Units (or such other number of Corporate Units as may be determined by the remarketing agent upon a successful remarketing of notes if the reset effective date is not a regular quarterly interest payment date). In such instance, the collateral agent will release the related

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applicable ownership interest in the Treasury portfolio underlying the Corporate Unit (and any applicable portion of the cash payment we made to the collateral agent as described under " Current Payments" below, if such cash payment has not already been paid to holders of the Corporate Units).

If, at the time the holder of a Corporate Unit wishes to substitute Treasury securities for the related notes, such Treasury securities have a yield that is less than zero, then, each Treasury Unit will instead consist of a unit with a stated amount of $50 comprising:

(a) a purchase contract under which the holder will agree to purchase from us, and we will agree to sell to the holder, not later than the purchase contract settlement date, for $50 in cash, a number of newly issued common shares equal to the settlement rate, subject to anti-dilution adjustments; and