

ASSURED GUARANTY LTD  
Form PRE 14A  
March 19, 2008

QuickLinks -- Click here to rapidly navigate through this document

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

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**Assured Guaranty Ltd.**

---

(Name of Registrant as Specified In Its Charter)

---

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.  
(1) Title of each class of securities to which transaction applies:

---

(2) Aggregate number of securities to which transaction applies:

---

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

---

(4) Proposed maximum aggregate value of transaction:

Edgar Filing: ASSURED GUARANTY LTD - Form PRE 14A

---

(5) Total fee paid:

---

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

---

(2) Form, Schedule or Registration Statement No.:

---

(3) Filing Party:

---

(4) Date Filed:

---

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

---

March , 2008  
Hamilton, Bermuda

Dear Shareholders:

It is with great pleasure that we invite you to our 2008 Annual General Meeting of shareholders. The meeting will be held on Thursday, May 8, 2008, at the Fairmont Hamilton Princess Hotel, 76 Pitts Bay Road, Hamilton, Bermuda at 8:00 a.m. Atlantic Time.

Our formal agenda for this year's meeting is to vote on the election of directors, to vote on the issuance of our common shares to WLR Recovery Fund IV, L.P. and/or its affiliates at the option of the Company, to ratify the selection of independent auditors for 2008, and to vote on directors and independent auditors for one of our subsidiaries. In addition, we will report to you the highlights of 2007, provide a status update on the initial investment by WLR Recovery Fund IV, L.P. and discuss the outlook for our business in 2008. We will also answer any questions you may have. Representatives of our independent accountants will be in attendance at the meeting and will be available to answer questions.

Whether or not you plan to attend the meeting, your vote on these matters is important to us. Please complete, sign and return the enclosed proxy card in the envelope provided. Alternatively, you can vote your proxy by telephone or through the Internet by following the instructions on the enclosed proxy card.

We look forward to seeing you at the meeting.

Sincerely,

Walter A. Scott  
*Chairman of the Board*

Dominic J. Frederico  
*President and Chief Executive Officer*

---

**NOTICE OF ANNUAL GENERAL MEETING**

March , 2008  
Hamilton, Bermuda

TO THE SHAREHOLDERS OF ASSURED GUARANTY LTD.:

The Annual General Meeting of Assured Guaranty Ltd., which we refer to as the Company, will be held on Thursday, May 8, 2008, at 8:00 a.m. Atlantic Time at the Fairmont Hamilton Princess, 76 Pitts Bay Road, Hamilton, Bermuda, for the following purposes:

1. To elect four Class I directors to hold office until 2011;
2. To vote on the issuance of common shares of the Company to WLR Recovery Fund IV, L.P. and/or its affiliates at the option of the Company;
3. To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent auditors for the fiscal year ending December 31, 2008;
4. To direct the Company to vote for directors of, and the appointment of independent auditors for, our subsidiary, Assured Guaranty Re Ltd.; and
5. To transact such other business, if any, as lawfully may be brought before the meeting.

Only shareholders of record, as shown by the transfer books of the Company, at the close of business on March 18, 2008, are entitled to notice of, and to vote at, the Annual General Meeting.

**PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY IN THE RETURN ENVELOPE FURNISHED FOR THAT PURPOSE, AS PROMPTLY AS POSSIBLE, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING. IF YOU LATER DESIRE TO REVOKE YOUR PROXY FOR ANY REASON, YOU MAY DO SO IN THE MANNER DESCRIBED IN THE ATTACHED PROXY STATEMENT. YOU MAY ALSO VOTE OVER THE INTERNET OR BY TELEPHONE BY FOLLOWING THE VOTING INSTRUCTIONS PRINTED ON THE ACCOMPANYING PROXY CARD. FOR FURTHER INFORMATION CONCERNING THE INDIVIDUALS NOMINATED AS DIRECTORS, THE PROPOSALS BEING VOTED UPON, USE OF THE PROXY AND OTHER RELATED MATTERS, YOU ARE URGED TO READ THE ENCLOSED PROXY STATEMENT.**

By Order of the Board of Directors,

James M. Michener  
*Secretary*

---

TABLE OF CONTENTS

	<u>Page</u>
INFORMATION ABOUT THE ANNUAL GENERAL MEETING AND VOTING	1
Why Did You Send Me This Proxy Statement?	1
What Proposals Will Be Voted on at the Annual General Meeting?	1
Are Proxy Materials Available on the Internet?	1
Who Is Entitled to Vote?	2
How Many Votes Do I Have?	2
What is the Difference Between Holding Shares as a Shareholder of Record and as a Beneficial Owner?	2
How Do I Vote by Proxy?	3
May I Vote by Telephone or Via the Internet?	3
May I Revoke My Proxy?	3
How Do I Vote in Person at the Annual General Meeting?	4
What Votes Need to Be Present to Hold the Annual General Meeting?	4
What Vote Is Required to Approve Each Proposal?	4
How Are Votes Counted?	5
What Is the Effect of Broker Non-Votes and Abstentions?	5
What Are the Costs of Soliciting these Proxies and Who Will Pay Them?	5
Where Can I Find the Voting Results?	5
Do Directors Attend the Annual General Meeting?	5
Can a Shareholder Communicate Directly with Our Board? If so, how?	5
Whom Should I Call If I Have Any Questions?	6
CORPORATE GOVERNANCE	7
Overview	7
The Board of Directors	8
Director Independence	8
The Committees of the Board	9
	5

	<b>Page</b>
How Are Directors Compensated?	11
Director Compensation	12
How Are Directors Nominated?	13
Compensation Committee Interlocking and Insider Participation	14
What is our Related Party Transactions Approval Policy and What Procedures Do We Use To Implement It?	14
What Related Person Transactions Do We Have?	15
Did Our Insiders Comply with Section 16(a) Beneficial Ownership Reporting in 2007?	18
PROPOSAL NO. 1: ELECTION OF DIRECTORS	19

# Edgar Filing: ASSURED GUARANTY LTD - Form PRE 14A

General	19
Nominees for Election for Terms Expiring in 2011	19
Directors Whose Terms of Office Will Continue after This Meeting	20
INFORMATION ABOUT OUR COMMON SHARE OWNERSHIP	22
How Much Stock is Owned By Directors and Executive Officers?	22
Which Shareholders Own More than 5% of our Common Shares?	23
EXECUTIVE COMPENSATION	25
Compensation Discussion and Analysis	25
Compensation Committee Report	40
2007 Summary Compensation Table	41
Employment Agreements	42
Employee Stock Purchase Plan	45
Indemnification Agreements	45
2007 Grants of Plan-Based Awards	46
Outstanding Equity Awards at December 31, 2007	47
2007 Option Exercises and Stock Vested	48
Nonqualified Deferred Compensation	48
Potential Payments Upon Termination or Change in Control	49
AUDIT COMMITTEE REPORT	53
PROPOSAL NO. 2: APPROVAL OF THE ISSUANCE OF COMMON SHARES TO WLR RECOVERY FUND IV, L.P. AND/OR ITS AFFILIATES AT THE OPTION OF THE COMPANY	55
Summary Description of the Transaction	55
Tax Discussion	57
Questions and Answers about the Transaction	58
PROPOSAL NO. 3: RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS	61
Independent Auditor Fee Information	61
Pre-Approval Policy of Audit and Non-Audit Services	62
PROPOSAL NO. 4: PROPOSALS CONCERNING OUR SUBSIDIARY, ASSURED GUARANTY RE LTD.	62
SHAREHOLDER PROPOSALS FOR 2009 ANNUAL MEETING	64

Edgar Filing: ASSURED GUARANTY LTD - Form PRE 14A

How do I Submit a Proposal for Inclusion in Next Year's Proxy Material?	64
How do I Submit a Proposal or Make a Nomination at an Annual General Meeting?	64
OTHER MATTERS	64
CATEGORICAL STANDARDS FOR DIRECTOR INDEPENDENCE	A-1



**ASSURED GUARANTY LTD.**

30 Woodbourne Avenue  
Hamilton HM 08 Bermuda  
March , 2008

---

**PROXY STATEMENT**

---

**INFORMATION ABOUT THE ANNUAL GENERAL MEETING AND VOTING**

***Why Did You Send Me This Proxy Statement?***

We sent you this Proxy Statement and the enclosed proxy card because the Board of Directors of Assured Guaranty Ltd., which we refer to as Assured, we, us, our, or the Company, is soliciting your proxy to vote at the 2008 Annual General Meeting, which will be held on Thursday, May 8, 2008, at 8:00 a.m. Atlantic Time at the Fairmont Hamilton Princess, 76 Pitts Bay Road, Hamilton, Bermuda. A copy of our Annual Report to Shareholders for the fiscal year ended December 31, 2007 accompanies this Proxy Statement.

This Proxy Statement summarizes the information you need to vote at the Annual General Meeting. You do not need to attend the Annual General Meeting to vote your shares. You may simply complete, sign and return the enclosed proxy card or vote by telephone or over the Internet.

***What Proposals Will Be Voted on at the Annual General Meeting?***

There are four proposals scheduled to be voted on at the Annual General Meeting:

The election of four Class I directors.

The approval of the issuance of common shares of the Company to WLR Recovery Fund IV, L.P. and/or its affiliates at the option of the Company.

The ratification of the selection of PricewaterhouseCoopers LLP, an independent registered public accounting firm, as our independent auditors for 2008.

Authorizing the Company to vote for the election directors and independent auditors for our subsidiary, Assured Guaranty Re Ltd., which we refer to as AG Re.

Assured's Board recommends that you vote your shares "FOR" each of the nominees to the Board, "FOR" the approval of the issuance of our common shares to WLR Recovery Fund IV, L.P. and/or its affiliates at the option of the Company, "FOR" the appointment of the selection of PricewaterhouseCoopers LLP as our independent auditors for 2008 and "FOR" authorizing the Company to vote for the election of the directors and independent auditors of our subsidiary, Assured Guaranty Re Ltd.

***Are Proxy Materials Available on the Internet?***

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting To Be Held on Thursday May 8, 2008**

**Our proxy statement for the 2008 Annual General Meeting, form of proxy card and 2007 annual report are available at <http://www.assuredguaranty.com/annualmeeting.html>.**

## Edgar Filing: ASSURED GUARANTY LTD - Form PRE 14A

You can obtain directions to attend the 2008 Annual General Meeting by contacting Natasha Medeiros at 441-299-9375 or at [nmedeiros@assuredguaranty.com](mailto:nmedeiros@assuredguaranty.com).

### ***Who Is Entitled to Vote?***

March 18, 2008 is the record date for the Annual General Meeting. If you owned our common shares at the close of business on March 18, 2008, you are entitled to vote. On that date, we had 81,023,502 of our common shares outstanding and entitled to vote at the Annual General Meeting, including 889,583 unvested restricted common shares (but excluding 5,354,116 common shares held by our subsidiary, Assured Guaranty US Holdings Inc.). Our common shares are our only class of voting stock. We will begin mailing this Proxy Statement on or about April 1, 2008 to all shareholders entitled to vote.

### ***How Many Votes Do I Have?***

You have one vote for each of our common shares that you owned at the close of business on March 18, 2008, except that if, and so long as, the "controlled shares", which our Bye-laws defined generally to include all of our common shares directly, indirectly or constructively owned or beneficially owned by any person or group of persons, of any "United States person," as defined in the Internal Revenue Code, constitute 9.5% or more of our issued common shares, the voting rights with respect to the controlled shares owned by such person will be limited, in the aggregate, to a voting power of approximately 9.5%, pursuant to a formula specified in our Bye-Laws.

The proxy card indicates the number of common shares you are entitled to vote, without giving effect to the controlled share rule described above.

### ***What is the Difference Between Holding Shares as a Shareholder of Record and as a Beneficial Owner?***

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

#### *Shareholder of Record*

If your shares are registered directly in your name with our transfer agent, BNY Mellon Shareowner Services, you are considered, with respect to those shares, the shareholder of record and these proxy materials are being sent to you directly. As the shareholder of record, you have the right to grant your voting proxy directly to Assured or to vote in person at the Annual General Meeting. Assured has enclosed a proxy card for you to use. You may also vote on the Internet or by telephone as described below under the heading "Information About the Annual General Meeting and Voting May I Vote by Telephone or Via the Internet?"

#### *Beneficial Owner*

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in "street name" and these proxy materials are being forwarded to you by your broker or nominee who is considered, with respect to those shares, the shareholder of record. As the beneficial owner, you have the right to direct your broker or nominee on how to vote your shares and are also invited to attend the Annual General Meeting. However, since you are not the shareholder of record, you may only vote these shares in person at the Annual General Meeting if you follow the instructions described below under the heading "Information About the Annual General Meeting and Voting How Do I Vote In Person at the Annual General Meeting?" Your broker or nominee has enclosed a voting instruction card for you to use in directing your broker or nominee as to how to vote your shares. You may also vote on the Internet or by telephone as

## Edgar Filing: ASSURED GUARANTY LTD - Form PRE 14A

described below under the heading "Information About the Annual General Meeting and Voting May I Vote by Telephone or Via the Internet?"

### ***How Do I Vote by Proxy?***

If you properly fill in your proxy card and send it to us in time to vote, your "proxy" (one of the individuals named on your proxy card) will vote your shares as you have directed. If you sign the proxy card but do not make specific choices, your proxy will vote your shares as recommended by the Board:

**"FOR"** the election of four Class I directors.

**"FOR"** the approval of the issuance of our common shares to WLR Recovery Fund, L.P. and/or its affiliates at the option of the Company.

**"FOR"** the ratification of PricewaterhouseCoopers LLP as our independent auditors for 2008.

**"FOR"** directing the Company to vote for the election of directors and the ratification of independent auditors for our subsidiary, AG Re.

If any other matter is presented, your proxy will vote in accordance with the best judgment of the individuals named on your proxy card. At the time we began printing this Proxy Statement, we knew of no matters that needed to be acted on at the Annual General Meeting, other than those discussed in this Proxy Statement.

### ***May I Vote by Telephone or Via the Internet?***

Yes. Instead of submitting your vote by mail on the enclosed proxy card, you may be able to vote via the Internet or by telephone. We encourage you to do so because your vote is then tabulated faster than if you mailed it. Please note that there are separate Internet and telephone arrangements depending on whether you are a shareholder of record (that is, if you hold your stock in your own name), or whether you are a beneficial owner and hold your shares in "street name" (that is, if your stock is held in the name of your broker or bank).

If you are a shareholder of record, you may vote by telephone, or electronically through the Internet, by following the instructions provided on your proxy card.

If you are a beneficial owner and held your shares in "street name", you may need to contact your bank or broker to determine whether you will be able to vote by telephone or electronically.

The telephone and Internet voting procedures are designed to authenticate shareholders' identities, to allow shareholders to give their voting instructions and to confirm that shareholders' instructions have been recorded properly. If you vote via the Internet, you may incur costs, such as usage charges from Internet access providers and telephone companies. You will be responsible for those costs.

Whether or not you plan to attend the Annual General Meeting, we urge you to vote. Returning the proxy card or voting by telephone or over the Internet will not affect your right to attend the Annual General Meeting and vote.

### ***May I Revoke My Proxy?***

Yes. If you change your mind after you vote, you may revoke your proxy by following any of the procedures described below. To revoke your proxy:

Send in another signed proxy with a later date or resubmit your vote by telephone or the Internet,

Send a letter revoking your proxy to Assured's Secretary at 30 Woodbourne Avenue, Hamilton HM 08, Bermuda, or

Attend the Annual General Meeting and vote in person.

If you wish to revoke your proxy, you must do so in sufficient time to permit the necessary examination and tabulation of the subsequent proxy or revocation before the vote is taken.

***How Do I Vote in Person at the Annual General Meeting?***

You may vote shares held directly in your name as the shareholder of record in person at the Annual General Meeting. If you choose to vote your shares in person at the Annual General Meeting, please bring the enclosed proxy card or proof of identification. Even if you plan to attend the Annual General Meeting, Assured recommends that you vote your shares in advance as described above so that your vote will be counted if you later decide not to attend the Annual General Meeting.

Shares beneficially owned and held in "street name" may be voted in person by you only if you obtain a signed proxy from the shareholder of record giving you the right to vote the shares. If your shares are held in the name of your broker, bank or other nominee, you must bring to the Annual General Meeting an account statement or letter from the broker, bank or other nominee indicating that you are the owner of the shares and a signed proxy from the shareholder of record giving you the right to vote the shares. The account statement or letter must show that you were beneficial owner of the shares on March 18, 2008.

***What Votes Need to Be Present to Hold the Annual General Meeting?***

To have a quorum for our Annual General Meeting, two or more persons must be present, in person or by proxy, representing more than 50% of the common shares that were outstanding on March 18, 2008. As of March 18, 2008, our subsidiary, Assured Guaranty US Holdings Inc., owns 5,354,116 of our common shares. While it does not intend to vote these shares at the upcoming Annual General Meeting, it does intend for these shares to be present at the meeting so they will be counted towards the quorum.

***What Vote Is Required to Approve Each Proposal?***

**Election of Directors**

The election of each nominee for Class I director requires the affirmative vote of a majority of the votes cast on such proposal at the Annual General Meeting.

**Approval of Issuance of Common Shares to WLR Recovery Fund IV, L.P. and/or its affiliates at the option of the Company**

The approval of the issuance of common shares to WLR Recovery Fund IV, L.P. and/or its affiliates, at the option of the Company, requires the affirmative vote of a majority of the votes cast on such proposal at the Annual General Meeting provided that the total vote cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal.

**Ratification of Appointment of Independent Auditors**

The ratification of the selection of PricewaterhouseCoopers LLP as independent auditors for 2008 requires the affirmative vote of a majority of the votes cast on such proposal at the Annual General Meeting.

**Election of Directors and Ratification of Independent Auditors for a Subsidiary**

The election of directors and the ratification of independent auditors for our subsidiary, AG Re, requires the affirmative vote of a majority of the votes cast on such proposal at the Annual General Meeting.

***How Are Votes Counted?***

In the election of Assured directors, your vote may be cast "FOR" all of the nominees or your vote may be "WITHHELD" with respect to one or more of the nominees. Your vote may be cast "FOR" or "AGAINST" or you may "ABSTAIN" with respect to the approval of the share issuance to WLR Recovery Fund IV, L.P. and/or its affiliates at the option of the Company and with respect to the ratification of Assured's independent auditors. For authorizing the Company to vote for election of directors of our subsidiary, AG Re, your vote may be cast "FOR" all of the nominees or your vote may be "WITHHELD" with respect to one or more of the nominees and for authorizing the Company to vote for the ratification of AG Re's independent auditors, your vote may be cast "FOR" or "AGAINST" or you may "ABSTAIN". If you sign your proxy card or broker voting instruction card with no further instructions, your shares will be voted in accordance with the recommendations of the Board. We will appoint one or more inspectors of election to count votes cast in person or by proxy.

***What Is the Effect of Broker Non-Votes and Abstentions?***

A broker "non-vote" occurs when a broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

Common shares owned by shareholders electing to abstain from voting with respect to any proposal and broker "non-votes" will be counted towards the presence of a quorum but will not be considered present and voting with respect to elections of directors or other matters to be voted upon at the Annual General Meeting. Therefore, abstentions and "broker non-votes" will have no effect on the outcome of the proposals to elect directors, to approve the subsidiary matters or to ratify the appointment of the Company's independent accountants.

***What Are the Costs of Soliciting these Proxies and Who Will Pay Them?***

Assured will pay all the costs of soliciting these proxies. Our directors and employees may also solicit proxies by telephone, by fax or other electronic means of communication, or in person. We will reimburse banks, brokers, nominees and other fiduciaries for the expenses they incur in forwarding the proxy materials to you. Georgeson Inc. is assisting us with the solicitation of proxies for a fee of \$6,500 plus out-of-pocket expenses.

***Where Can I Find the Voting Results?***

We will publish the voting results in our Form 10-Q for the second quarter of 2008, which we will file with the Securities and Exchange Commission (SEC) in August 2008. You can find the Form 10-Q on our website at [www.assuredguaranty.com](http://www.assuredguaranty.com).

***Do Directors Attend the Annual General Meeting?***

Our Corporate Governance Guidelines provide that directors are expected to attend our annual meeting of shareholders and any special meeting of shareholders called by the Company to consider extraordinary business transactions, unless they are unable to do so as a result of special circumstances; directors are encouraged to attend all other special meetings of shareholders called by the Company. All of our directors then in office attended the Annual General Meeting that was held on May 3, 2007 except for Mr. Cozen who could not attend due to a funeral.

***Can a Shareholder Communicate Directly with Our Board? If so, how?***

Our Board provides a process for shareholders, employees or other interested parties to send communications to our Board. Shareholders, employees or other interested parties wanting to contact

the Board concerning accounting or auditing matters may send an e-mail to the Chairman of the Audit Committee at [chmaudit@assuredguaranty.com](mailto:chmaudit@assuredguaranty.com). Shareholders, employees or other interested parties wanting to contact the Board, the independent directors, the Chairman of the Board, the chairman of any Board committee or any other director, as to other matters may send an e-mail to [corpsecy@assuredguaranty.com](mailto:corpsecy@assuredguaranty.com). The Secretary has access to both of these e-mail addresses. Alternatively, shareholders, employees or other interested parties may send written communications to the Board c/o Secretary, 30 Woodbourne Avenue, Hamilton HM 08, Bermuda, although mail to Bermuda is not as prompt as e-mail. Communication with the Board may be anonymous. The Secretary will forward all communications to the Board to the Chairman of the Audit Committee or the Chairman of the Nominating and Governance Committee, who will determine when it is appropriate to distribute such communications to other members of the Board or to management.

***Whom Should I Call If I Have Any Questions?***

If you have any questions about the Annual General Meeting or voting, please contact James M. Michener, our Secretary, at 441-278-6679 or at [jmichener@assuredguaranty.com](mailto:jmichener@assuredguaranty.com).

If you have any questions about your ownership of Assured common shares, please contact Sabra Purtill, our Managing Director, Investor Relations and Strategic Planning, at 441-278-6665 or 212-408-6044 or at [spurtill@assuredguaranty.com](mailto:spurtill@assuredguaranty.com).

## CORPORATE GOVERNANCE

### *Overview*

### **In General**

Our Board of Directors has maintained corporate governance policies since becoming a public company following our 2004 initial public offering, which we refer to as our IPO. We have reviewed internally and with the Board the provisions of the Sarbanes-Oxley Act of 2002, the rules of the SEC and the NYSE's listing standards regarding corporate governance policies and processes and are in compliance with the rules and listing standards. We have adopted Corporate Governance Guidelines covering issues such as executive sessions of the Board of Directors, director qualification standards, including independence, director responsibilities and board self-evaluations. Our Corporate Governance Guidelines contains our Categorical Standards for Director Independence. We have also adopted Code of Conduct and charters for each of our Compensation Committee, Audit Committee, Nominating and Governance Committee, Finance Committee and Risk Oversight Committee. The full text of our Corporate Governance Guidelines, our Code of Conduct and each committee charter, is available on the Company's website located at [www.assuredguaranty.com](http://www.assuredguaranty.com). You can view and print these documents by accessing our website, then clicking on "Investor Information," followed by "Corporate Governance." In addition, you may request copies of the Corporate Governance Guidelines, the Code of Conduct, Categorical Standards for Director Independence and the committee charters by contacting our Secretary:

Telephone 441-278-6679

Facsimile 441-296-1083

e-mail [jmichener@assuredguaranty.com](mailto:jmichener@assuredguaranty.com)

### **Non-Management Director Meetings**

The independent directors meet at regularly scheduled executive sessions without participation of management or any director that is not independent. The Chairman of the Board is the presiding director for executive sessions of independent directors.

### **Other Corporate Governance Highlights**

Our Board has a substantial majority of non-management, independent directors.

Only non-management, independent directors may serve on our Audit, Compensation and Nominating and Governance Committees and currently, only non-management, independent directors serve on our Finance and Risk Oversight Committees.

Our Audit Committee hires, determines the compensation of, and decides the scope of services performed by, our independent auditors. It also has the authority to retain outside advisors.

No member of our Audit Committee simultaneously serves on the audit committees of more than two public companies.

Our Compensation Committee has the authority to retain independent consultants, and, has engaged Frederic W. Cook & Co., Inc., which we refer to as Cook, to assist it. Our Compensation Committee evaluates the performance of the Chief Executive Officer, who we refer to as our CEO, based on corporate goals and objectives and, with the other independent directors, sets his compensation level based on this evaluation.

Our Board has adopted a Code of Conduct applicable to all directors, officers and employees that sets forth basic principles to guide their day-to-day activities. The Code of Conduct addresses, among other things, conflicts of interest, corporate opportunities, confidentiality, fair dealing, protection and proper use of company assets, compliance with laws and regulations, including insider trading laws, and reporting illegal or unethical behavior.

In addition to quarterly Board meetings lasting approximately two days each, our Board has an annual business review meeting to review specific areas of the Company's operations and to learn about general trends affecting the financial guaranty industry. We also provide our directors with the opportunity to attend continuing education programs.

#### ***The Board of Directors***

Our Board oversees our business and monitors the performance of management. In accordance with our corporate governance principles, the Board does not involve itself in day-to-day operations. The directors keep themselves informed by discussing matters with the CEO, other key executives and our principal external advisors, such as legal counsel, outside auditors, investment bankers and other consultants, by reading the reports and other materials that we send them regularly and by participating in Board and committee meetings.

The Board usually meets four times per year in regularly scheduled meetings, but will meet more often if necessary. The Board met four times during 2007 plus attended a business review meeting. All of our incumbent directors attended at least 75% of the aggregate number of meetings of the Board of Directors and committees of the Board of which they were a member held while they were in office during the year ended December 31, 2007.

#### ***Director Independence***

In February 2008 our Board determined that the following directors are independent under the listing standards of the New York Stock Exchange (NYSE): Neil Baron, Francisco L. Borges,



G. Lawrence Buhl, Stephen A. Cozen, Patrick W. Kenny, Donald H. Layton, Robin Monro-Davies, Michael T. O'Kane and Walter A. Scott. These independent directors constitute substantially more than a majority of the Company's Board of Directors. In making its determination of independence, the Board applied its Categorical Standards for Director Independence and determined that no other material relationships existed between the Company and these directors. A copy of our Categorical Standards for Director Independence is attached as Exhibit A to this proxy statement and is also available by accessing our website at [www.assuredguaranty.com](http://www.assuredguaranty.com), then clicking on "Investor Information," followed by "Corporate Governance." The Board also considered the other directorships held by the independent directors and determined that none of these directorships constituted a material relationship with the Company.

### ***The Committees of the Board***

The Board of Directors has established an Audit Committee, a Compensation Committee, Finance Committee, a Nominating and Governance Committee and Risk Oversight Committee, all of which consist exclusively of members who qualify as independent directors under the applicable requirements of the NYSE.

#### **The Audit Committee**

The Audit Committee provides oversight of the integrity of the Company's financial statements and financial reporting process, the Company's compliance with legal and regulatory requirements, the system of internal controls, the audit process, the performance of the Company's internal audit program and the performance, qualification and independence of the independent accountants.

The Audit Committee is composed entirely of directors who are independent of the Company and its management, as defined by the NYSE listing standards.

The Board has determined that each member of the Audit Committee is an audit committee financial expert, as that term is defined under 401(h) of Regulation S-K, and that each member satisfies the financial literacy requirements of the NYSE.

The Audit Committee is comprised of G. Lawrence Buhl (Chairman), Francisco L. Borges, Donald H. Layton and Michael T. O'Kane.

The Audit Committee held five meetings during 2007.

#### **The Compensation Committee**

The Compensation Committee has responsibility for evaluating the performance of the CEO and senior management and determining executive compensation. The Compensation Committee also works with the Nominating and Governance Committee and the CEO on succession planning.

The Compensation Committee is composed entirely of directors who are independent of the Company and its management, as defined by the NYSE listing standards.

The Compensation Committee is comprised of Patrick W. Kenny (Chairman), Neil Baron and Stephen A. Cozen.

The Compensation Committee held four meetings during 2007. The Compensation Committee also met with Cook to review peer group compensation data.

**The Nominating and Governance Committee**

The responsibilities of the Nominating and Governance Committee include identification of individuals qualified to become Board members, recommending director nominees to the Board and developing and recommending corporate governance guidelines. The Nominating and Governance Committee also has responsibility to review and make recommendations to the full Board regarding director compensation. In addition to general corporate governance matters, the Nominating and Governance Committee assists the Board and the Board committees in their self-evaluations.

The Nominating and Governance Committee is composed entirely of directors who are independent of the Company and its management, as defined by the NYSE listing standards.

The Nominating and Governance Committee is comprised of Stephen A. Cozen (Chairman), Patrick W. Kenny and Robin Monro-Davies.

The Nominating and Governance Committee held four meetings during 2007.

**The Finance Committee**

The Finance Committee of the Board of Directors oversees management's investment of the Company's investment portfolio. The Finance Committee also oversees, and makes recommendations to the Board with respect to, the Company's capital structure, financing arrangements, investment guidelines and any corporate development activities.

The Finance Committee is composed entirely of directors who are independent of the Company and its management, as defined by NYSE listing standards.

The Finance Committee is comprised of Neil Baron (Chairman), Francisco L. Borges and G. Lawrence Buhl.

The Finance Committee held four meetings during 2007.

**The Risk Oversight Committee**

The Risk Oversight Committee was formed in May 2005 to establish the Company's risk tolerance, and oversee management's establishment and implementation of standards, controls, limits, guidelines and policies relating to risk assessment and risk management. The Risk Oversight Committee focuses on both the underwriting and surveillance of credit risks and the assessment and management of other risks, including, but not limited to, financial, legal and operational risks and other risks concerning the Company's reputation and ethical standards.

The Risk Oversight Committee is composed entirely of directors who are independent of the Company and its management, as defined by NYSE listing standards.

The Risk Oversight Committee is comprised of Donald H. Layton (Chairman), Robin Monro-Davies, and Michael O'Kane.

The Risk Oversight Committee held four meetings during 2007.

***How Are Directors Compensated?***

We pay our non-management directors an annual retainer of \$150,000 per year, \$60,000 of which we pay in cash and \$90,000 of which we pay in stock units or restricted stock. A director may elect to receive up to 100 percent his annual retainer in stock units or restricted stock. The Chairman of the Board receives an additional \$100,000 annual retainer, the Chairman of the Audit Committee receives an additional \$30,000 annual retainer and the Chairman of each of the Compensation Committee, the Nominating and Governance Committee, the Finance Committee and the Risk Oversight Committee receives an additional \$10,000 annual retainer. Members of the Audit Committee, other than the chairman, receive an additional \$10,000 annual retainer and members, other than the chairmen, of each of the Compensation Committee, the Nominating and Governance Committee, the Finance Committee and the Risk Oversight Committee receive an additional \$5,000 annual retainer. The Company will generally not pay a fee for attendance at board or committee meetings, though the Chairman of the Board has the discretion to pay attendance fees of \$2,000 for extraordinary or special meetings.

We awarded an initial, one-time grant of restricted shares with a value of \$100,000 to each non-management director upon closing of the our IPO in 2004, or, if later, upon the director's initial election to the Board of Directors. These restricted shares will vest on the day immediately prior to the third annual shareholders meeting at which directors are elected following the grant of the shares.

The Board of Directors has recommended that each director own at least 10,000 Common Shares within three years after joining the board. Common Shares represented by stock units will count toward that guideline, though restricted shares awarded upon a director's initial election will not. We grant annual retainer awards in the form of stock units until the share ownership guidelines have been met. The first 10,000 stock units awarded to each director became, or will become, non-forfeitable on the day immediately prior to the first annual general meeting of shareholders at which directors are elected following the grant of the units. We mandatorily defer the issuance of Common Shares for these units until six months after termination of the director's service on the Board of Directors. After directors meet the share ownership guidelines, they may elect to receive their annual retainer equity award in the form of either restricted shares that vest on the day immediately prior to the first annual general meeting of shareholders at which directors are elected following the grant of the shares, or stock units that become non-forfeitable on the day immediately prior to the first annual general meeting of shareholders at which directors are elected following the grant of the units, with the issuance of Common Shares deferred to a later date chosen by the director. Each director has satisfied our stock ownership guideline. Directors cannot sell or transfer stock units until we issue the Common Shares to them. We credit dividend equivalents to stock units as additional stock units. Grants of restricted stock receive cash dividends.

## Edgar Filing: ASSURED GUARANTY LTD - Form PRE 14A

The following table sets forth our 2007 non-management director compensation:

### *Director Compensation*

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	All Other Compensation(1) (\$)	Total (\$)
Neil Baron	\$ 75,000	\$ 92,546		\$ 167,546
Francisco L. Borges(2)	\$ 15,000	\$ 250,478		\$ 265,478
G. Lawrence Buhl	\$ 95,000	\$ 92,163	2,000	\$ 189,163
Stephen A. Cozen	\$ 75,000	\$ 92,163		\$ 167,163
John G. Heimann(3)	\$ 75,000	\$ 92,546		\$ 167,546
Patrick W. Kenny	\$ 60,000	\$ 112,888	2,500	\$ 175,388
Donald H. Layton	\$ 80,000	\$ 90,977		\$ 170,977
Robin Monro-Davies(4)	\$ 140,000	\$ 91,585		\$ 231,585
Michael T. O'Kane	\$ 75,000	\$ 91,585		\$ 166,585
Walter A. Scott	\$ 160,000	\$ 92,546		\$ 252,546

- (1) Other compensation includes matching gift donations of \$1,000 for Mr. Buhl and \$2,500 for Mr. Kenny and \$1,000 for Mr. Buhl's personal use of the corporate apartment.
- (2) Stock awards include Mr. Borges's one-time grant of restricted shares with a value of \$100,000 upon his initial election to the Board of Directors.
- (3) Mr. Heimann retired as a director, effective August 9, 2007.
- (4) The fees for Mr. Monro-Davis include £35,000 (which is approximately \$70,000) for serving as an independent director of Assured Guaranty (UK) Ltd, a subsidiary of the Company.

The grant date fair value of the May 2007 stock awards for each director, based on the grant date of May 3, 2007, was \$90,000 for all directors except Mr. Kenny; and \$110,000 for Mr. Kenny. The following table shows information related to director awards outstanding on December 31, 2007:

	Unvested Restricted Stock	Forfeitable Restricted Stock Units(2)	Non-Forfeitable Restricted Stock Units
N. Baron		3,187	13,356
F. Borges	3,980(1)	5,971	
L. Buhl	3,187(2)		13,356
S. Cozen	3,187(2)		13,356
J. Heimann(3)		3,187	13,356
P. Kenny		3,895	14,953
D. Layton	4,100(4)	3,187	3,690
R. Monro-Davies	4,182(2)	3,187	7,454
M. O'Kane	4,182(2)	3,187	7,454
W. Scott		3,187	13,356

- (1) Vests one day prior to 2010 annual general meeting.
- (2) Vests or becomes non-forfeitable May 7, 2008.

- (3) Mr. Heimann retired as a director, effective August 9, 2007.
- (4) Vests one day prior to 2009 annual general meeting.

*How Are Directors Nominated?*

In accordance with its charter, the Nominating and Governance Committee identifies potential nominees for directors from various sources. The Nominating and Governance Committee reviews the qualifications of these persons to determine whether they might be a good candidate for membership on the Board of Directors. The Nominating and Governance Committee includes a review of the person's judgment, experience, independence, understanding of the Company's business or other related industries and such other factors as the Nominating and Governance Committee determines are relevant in light of the needs of the Board of Directors and the Company. The Nominating and Governance Committee will select qualified candidates and review its recommendations with the Board of Directors, which will decide whether to nominate the person for election to the Board of Directors at an annual general meeting. Between annual general meetings, the Board, upon the recommendation of the Nominating and Governance Committee, can approve additions to the Board.

The Company's corporate governance guidelines require the Nominating and Governance Committee to review annually the skills and attributes of Board members within the context of the current make-up of the full Board. Board members should have individual backgrounds that when combined provide a portfolio of experience and knowledge that will serve the Company's governance and strategic needs. The Nominating and Governance Committee will consider Board candidates on the basis of a range of criteria including broad-based business knowledge and contacts, prominence and sound reputation in their fields as well as a global business perspective and commitment to good corporate citizenship. Directors should be able and prepared to provide wise and thoughtful counsel to top management on the full range of potential issues facing the Company. They should represent all shareholders and not any special interest group or constituency. Directors shall possess the highest personal and professional integrity and commitment to ethical and moral values. Directors must have the time necessary to fully meet their duty of due care to the shareholders and be willing to commit to service over the long term, if called upon.

The Nominating and Governance Committee will consider a shareholder's recommendation for director, but the Nominating and Governance Committee has no obligation to recommend such candidates for nomination by the Board of Directors. Assuming that appropriate biographical and background material is provided for candidates recommended by shareholders, the Nominating and Governance Committee will evaluate those candidates by following substantially the same process and applying substantially the same criteria as for candidates recommended by other sources. If a shareholder has a suggestion for candidates for election, the shareholder should mail it to: Secretary, Assured Guaranty Ltd., 30 Woodbourne Avenue, Hamilton HM 08, Bermuda. No person recommended by a shareholder will become a nominee for director and be included in a proxy statement unless the Nominating and Governance Committee recommends, and the Board approves, such person.

If a shareholder desires to nominate a person for election as director at a shareholders meeting, that shareholder must comply with Article 14 of the Company's Bye-Laws, which requires notice no later than 90 days prior to the anniversary date of the immediately preceding annual general meeting. This time period has passed with respect to the 2008 Annual General Meeting. With respect to the 2009 Annual General Meeting, the Company must receive such written notice on or prior to February 7, 2009. Such notice must describe the nomination in sufficient detail to be summarized on the agenda for the meeting and must set forth:

the shareholder's name as it appears in the Company's books;

a representation that the shareholder is a record holder of the Company's shares and intends to appear in person or by proxy at the meeting to present such proposal;

the class and number of shares beneficially owned by the shareholder;

the name and address of any person to be nominated;

a description of all arrangements or understanding between the shareholder and each nominee and any other person or persons, naming such other person or persons, pursuant to which the nomination or nominations are to be made by the shareholder;

such other information regarding such nominee proposed by such shareholders as would be required to be included in a proxy statement filed pursuant to the SEC's proxy regulations; and

the consent of each nominee to serve as a director of the Company, if so elected.

As described in "Proposal No. 2: Approval of the Issuance of Common Shares to WLR Recovery Fund IV, L.P. and/or its Affiliates at the Option of the Company," the Company has agreed to appoint Wilbur L. Ross, Jr. to the Board of Directors for a term commencing immediately after the 2008 Annual General Meeting and expiring at the 2009 Annual General Meeting. The Investment Agreement with WLR Recovery Fund IV, L.P. also provides it with Board representation rights during the term of his investment, all as set forth in more detail in Proposal No. 2.

#### ***Compensation Committee Interlocking and Insider Participation***

The Compensation Committee of the Company's Board of Directors has responsibility for determining the compensation of the Company's executive officers. None of the members of the Compensation Committee is a current or former officer or employee of the Company. No executive officer of the Company serves on the compensation committee of any company that employs any member of the Compensation Committee.

#### ***What is our Related Party Transactions Approval Policy and What Procedures Do We Use To Implement It?***

Through our committee charters, we have established review and approval policies for transactions involving the Company and related persons, with the Nominating and Governance Committee taking the primary approval responsibility for transactions with our executive officers and directors and the Audit Committee taking the primary approval responsibility for transactions with our 5% shareholders. No member of these committees that has an interest in a transaction being reviewed is allowed to participate in any decision regarding any such transaction.

Our Nominating and Governance Committee charter requires the Nominating and Governance Committee to review and approve or disapprove of all proposed transactions with executive officers and directors that, if entered into, would be required to be disclosed pursuant to Item 404 of Regulation S-K, the SEC provision which requires disclosure of any related person transaction with the Company that exceeds \$120,000 per fiscal year. The Nominating Committee must also review reports, which our general counsel provides periodically, and not less often than annually, regarding transactions with executive officers and directors (other than compensation) that have resulted, or could result, in expenditures that are not required to be disclosed pursuant to Item 404 of Regulation S-K.

Our Audit Committee charter requires our Audit Committee to review and approve or disapprove of all proposed transactions with any person owning more than 5% of any class of our voting securities that, if entered into, would be required to be disclosed pursuant to Item 404 of Regulation S-K. In addition, our Audit Committee charter requires the Audit Committee to review reports, which our general counsel provides to the Audit Committee periodically, and not less often than annually, regarding all transactions with any persons owning more than 5% of any class of the voting securities of the Company that have resulted, or could result in expenditures that are not required to be disclosed pursuant to Item 404 of Regulation S-K. Our Audit Committee charter also requires the Audit Committee to review other reports and disclosures of insider and affiliated party transactions which our general counsel provides periodically, and not less often than annually.

Our general counsel identifies related party transactions requiring committee review pursuant to our committee charters from transactions that are

disclosed in director and officer questionnaires (which are also be completed by nominees for director) or in certifications of code of conduct compliance,

reported directly by the related person or by another employee of the Company, or

reported by our chief accounting officer based on a list of directors, executive officers and known 5% shareholders that our general counsel has given to him.

If we have a related person transaction that requires committee approval in accordance with the policies set forth in our committee charters, we either seek that approval before we enter the transaction or, if that timing is not practical, we ask the appropriate committee to ratify the transaction.

Prior to the adoption of our formal related party transaction approval policy in August 2006, we entered into transactions with ACE Limited, which we refer to as ACE, related to our IPO that were approved by the Board of Directors of the Company that was in office prior to our IPO. Some of these transactions remained in place in 2007 and, to the extent these arrangements were renewed or modified prior to the adoption of our approval policy, our CEO approved such renewals and modifications.

#### ***What Related Person Transactions Do We Have?***

***Relationships with ACE Limited.*** During the time the Company was a subsidiary of ACE, it was party to a number of service agreements with subsidiaries of ACE under which either the Company provided services to subsidiaries of ACE, or they provided services to the Company. Since the IPO, all but one of these service agreements have been terminated.

During 2007, 2006 and 2005, ACE provided certain general and administrative services to some of the Company's subsidiaries, including Assured Guaranty Corp., which we refer to as AGC, AG Re and Assured Guaranty Re Overseas Ltd., which we refer to as AGRO. In 2007, those services were information technology related services and in 2006 and 2005 also included tax consulting and preparation services. Expenses included in the Company's consolidated financial statements related to these services were \$0.1 million for the year ended December 31, 2007. Effective January 1, 2007, the tax consulting and preparation services arrangement was terminated.

***Real Estate.*** Prior to the IPO, AG Re was party to an arrangement with ACE pursuant to which it subleased approximately 5,000 square feet of office space in Bermuda from ACE at an annual cost of \$0.4 million. This amount was a prorated portion of amounts payable by ACE under the master lease. The property owner is a company of which ACE owns 40% of the outstanding capital stock. In connection with the IPO, the Company terminated the sublease arrangement and leased directly from the property owner the space used prior to the IPO plus additional space for a total of 9,000 square feet at an annual rent of approximately \$0.8 million. This lease expired on April 30, 2005. In May 2005, AG Re and the landowner signed a five year renewal of this lease covering approximately 11,000 square feet at an annual rent of approximately \$0.9 million. In May 2005, the Company subleased approximately 2,700 square feet to a subsidiary of ACE at an annual rent of approximately \$0.2 million. In October 2007 this sublease was terminated and AG Re entered into a sublease with a third party on substantially the same terms as the original sublease.

Prior to August 2006, the Company provided a housing allowance to Mr. Frederico by leasing a house in Bermuda for him from the ACE Foundation. Since December 2004, the rent on this house is \$20,000 per month. In August 2006 the lease with the ACE Foundation was terminated and Mr. Frederico currently leases the property directly from the ACE Foundation. Mr. Frederico is reimbursed the rent pursuant to the terms of his housing allowance.



Edgar Filing: ASSURED GUARANTY LTD - Form PRE 14A

**Reinsurance Transactions.** The Company ceded business to affiliates of ACE under certain reinsurance agreements. Amounts related to reinsurance ceded are reflected in the table below:

	2007 (\$ in millions)
<i>For the year ended December 31, 2007:</i>	
Written premiums	\$ 3.6
Earned premiums	4.1
Loss and loss adjustment expenses incurred	
Profit commission expenses	
Acquisition costs	
<i>As of December 31, 2007:</i>	
Prepaid reinsurance premiums	
Reinsurance recoverable on ceded losses	8.8
Funds held by Company under reinsurance contracts	25.3

The Company also writes business with affiliates of ACE under insurance and reinsurance agreements. Amounts related to business assumed from affiliates are reflected in the table below:

	2007 (\$ in millions)
<i>For the year ended December 31, 2007:</i>	
Written premiums	\$
Earned premiums	0.5
Loss and loss adjustment expenses incurred	4.7
Acquisition costs	
<i>As of December 31, 2007:</i>	
Unearned premium reserve	\$ 1.6
Reserve for losses and loss adjustment expenses	4.7

**Keepwell Agreement.** AGRO provided a keepwell to ACE Capital Title Reinsurance Company, which was its subsidiary until shortly prior to the IPO. Pursuant to the terms of this agreement, AGRO agreed to provide funds to ACE Capital Title sufficient for it to meet its obligations. In connection with the IPO, AGRO assigned this keepwell to ACE Bermuda Insurance Ltd., and ACE Bermuda Insurance Ltd. has agreed to indemnify and hold harmless AGRO in respect of the keepwell. No payment was made in connection with the assignment of the keepwell agreement.

**Tax Allocation Agreement.** In connection with the IPO and related share exchange, the Company and ACE Financial Services Inc., which we refer to as AFS, entered into a tax allocation agreement. Pursuant to the tax allocation agreement, the Company and AFS has made an election under sections 338(g) and 338(h)(10) of the Internal Revenue Code of 1986, as amended, with the effect that the portion of the tax basis of the Company's assets covered by this election was increased to the deemed purchase price of the assets and an amount equal to such increase was included in income in the consolidated federal income tax return filed by U.S. tax-paying subsidiaries of ACE. It is expected that this additional basis will result in increased income tax deductions and, accordingly, reduced income taxes payable by the Company. Pursuant to the tax allocation agreement, the Company will pay AFS any tax benefits realized by the Company, on a quarterly basis, generally calculated by comparing our actual taxes to the taxes that would have been owed by the Company had the increase in basis not occurred. During 2007, the Company paid AFS, and correspondingly reduced its liability, by \$5.1 million to \$9.9 million. In the event that any taxing authority successfully challenges any deductions reflected in a tax benefit payment to AFS, AFS will reimburse the Company for the loss of the tax benefit and any related interest or penalties imposed upon us. The tax benefit payments to AFS

should have no material effect on the Company's earnings or cash flows, which should not be materially less than they would have been in the absence of the tax allocation agreement and additional tax basis.

The tax allocation agreement provides that the tax benefit calculation for any period ending after the consummation of the IPO will not be less than the tax benefit calculated without giving effect to any items of income, expense, loss, deduction, credit or related carryovers or carrybacks from businesses conducted by the Company or relating to the Company's assets and liabilities other than those businesses conducted by the Company and those assets and liabilities existing immediately prior to the consummation of the offering (taking into account any assets acquired from AFS or its subsidiaries after the offering and any liabilities incurred or assumed with respect to such assets). The tax allocation agreement further provides that the Company will not enter into any transaction a significant effect of which is to reduce the amount payable to AFS under the tax allocation agreement.

**Registration Rights Agreement.** The Company entered into a registration rights agreement with ACE in connection with the transactions associated with the IPO to provide it and its affiliates with registration rights relating to Common Shares of the Company which they hold.

The registration rights agreement provides ACE and its affiliates with registration rights relating to the common shares held by ACE and its affiliates immediately after the IPO and any common shares ACE or its affiliates acquires thereafter. ACE and its affiliates are able to require the Company to register under the Securities Act of 1933, as amended, which we refer to as the Securities Act all or any portion of the Company's common shares covered by the registration rights agreement. In addition, the registration rights agreement provides for various piggyback registration rights for ACE and its affiliates. Whenever the Company proposes to register any of its securities under the Securities Act for itself or others, subject to customary exceptions, the Company must provide prompt notice to ACE and its affiliates and include in that registration all common shares which ACE or its affiliates owns and requests to be included.

The registration rights agreement sets forth customary registration procedures, including an agreement by us to make available the Company's senior management for roadshow presentations. All registration related expenses incurred in connection with any registration, other than underwriting commissions, will be paid by the Company. In addition, the Company is required to reimburse ACE for the fees and disbursements of its outside counsel retained in connection with any such registration. The registration rights agreement also imposes customary indemnification and contribution obligations on the Company for the benefit of ACE and any underwriters, although ACE must indemnify the company for any liabilities resulting from information provided by ACE. These payment and indemnification obligations may be subject to restrictions under Bermuda law.

ACE's rights under the registration rights agreement remain in effect with respect to the Common Shares covered by the agreement until:

those shares have been sold under an effective registration statement under the Securities Act;

those shares have been sold to the public under Rule 144 under the Securities Act; or

those shares have been transferred in a transaction where a subsequent public distribution of those shares would not require registration under the Securities Act.

The Company filed a shelf registration statement under the Securities Act, which was declared effective in June 2005, pursuant to which ACE is able to sell its Common Shares of the Company.

**Relationships with WLR Recovery Fund IV, L.P.** See "Proposal No. 2: Approval of the Issuance of Common Shares to WLR Recovery Fund IV, L.P. and/or its Affiliates at the Option of the Company" for a description of the investment agreement with WLR Recovery Fund IV, L.P. and the transactions and arrangements contemplated thereby.

*Did Our Insiders Comply with Section 16(a) Beneficial Ownership Reporting in 2007?*

Our executive officers and directors are subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934, as amended. We believe that all of our executive officers and directors complied with all filing requirements imposed by Section 16(a) of the Exchange Act on a timely basis during fiscal 2007, except that Mr. Frederico was one day late in filing a Form 4 reporting a purchase by his daughter of 200 shares. Mr. Frederico has disclaimed beneficial ownership of these shares, but filed the Form 4 because he may be deemed to be the beneficial owner of these shares for purposes of the Exchange Act.

**PROPOSAL NO. 1: ELECTION OF DIRECTORS**

**General**

Our Bye-laws divide our Board of Directors into three classes with the terms of office of each class ending in successive years. Our Bye-Laws provide for a maximum of 21 directors and empower our Board of Directors to fix the exact number of directors and appoint persons to fill any vacancies on the Board until the next Annual General Meeting.

Following the recommendation of the Nominating and Governance Committee, our Board of Directors has nominated Francisco L. Borges, Patrick W. Kenny, Robin Monro-Davies, and Michael T. O'Kane as Class I directors of the Company to serve three year terms to expire at the Annual General meeting in 2011 and, in each case, until their respective successors shall have been elected and shall have qualified. Each nominee is currently serving as a director of the Company.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THESE NOMINEES AS DIRECTORS OF THE COMPANY.**

It is the intention of the persons named as proxies, subject to any direction to the contrary, to vote in favor of the candidates nominated by the Board of Directors. We know of no reason why any nominee may be unable to serve as a director. If any nominee is unable to serve, your proxy may vote for another nominee proposed by the Board, or the Board may reduce the number of directors to be elected. If any director resigns, dies or is otherwise unable to serve out his or her term, or the Board increases the number of directors, the Board may fill the vacancy until the annual general meeting.

We have set forth below information with respect to the nominees for election as directors and the other directors whose terms of office as directors will continue after the Annual General Meeting. There are no arrangements or understandings between any director and any other person pursuant to which any director was or is selected as a director or nominee.

***Nominees for Election for Terms Expiring in 2011***

***Francisco L. Borges***, age 56, became a director of the Company in August 2007. He is Chairman of Landmark Partners, Inc, an alternative investment firm where he has been employed since 1999. He is a member of the University of Hartford Board of Regents and serves on the board of directors and investment committees for the Hartford Foundation for Public Giving and the University of Connecticut Foundation. Mr. Borges is also a member of the board of directors of Davis Selected Funds.

***Patrick W. Kenny***, age 65, became a director of the Company upon completion of the IPO. Mr. Kenny has served as the President and Chief Executive Officer of the International Insurance Society in New York, an organization dedicated to fostering the exchange of ideas through a program of international seminars and sponsored research, since June 2001. From 1998 to June 2001 Mr. Kenny served as executive vice president of Frontier Insurance Group, Inc. From 1995 to 1998, Mr. Kenny served as senior vice president of SS&C Technologies. From 1988 to 1994, Mr. Kenny served as Group Executive, Finance & Administration and Chief Financial Officer of Aetna Life & Casualty. Mr. Kenny serves on the board of directors of several ING mutual funds. Mr. Kenny is a director and member of the Audit and the Compensation Committees of Odyssey Reinsurance Holdings. He is also a director of and chairman of the Compensation Committee of the Independent Order of Forresters, a fraternal benefit society.

**Robin Monro-Davies**, age 67, became a director of the Company in August 2005. From 1997 until his retirement in 2001, Mr. Monro-Davies was Chief Executive Officer of Fitch Ratings. Mr. Monro-Davies is a director of AXA UK plc, AXA Asia Pacific Holdings and HSBC Bank plc, North American Banks Fund, European Equity Tranche Income Fund and The Ukraine Opportunity Trust PLC. Mr. Monro-Davies is also an independent director of Assured Guaranty (UK) Ltd., one of our subsidiaries.

**Michael T. O'Kane**, age 62, became a director of the Company in August 2005. Until his retirement in August 2004, Mr. O'Kane was employed at TIAA-CREF (financial products) in a number of different capacities since 1986, most recently as Senior Managing Director, Securities Division. Since 2006, Mr. O'Kane has been a director of Jefferies Group, Inc.

***Directors Whose Terms of Office Will Continue after This Meeting***

***Directors Whose Terms Expire in 2009***

**Stephen A. Cozen**, age 68, became a director of the Company upon completion of the IPO. Mr. Cozen is the founder and Chairman of Cozen O'Connor, an internationally-recognized law firm, with its home office in Philadelphia, Pennsylvania. Mr. Cozen is a fellow in the American College of Trial Lawyers. Mr. Cozen also serves on numerous educational and philanthropic boards, including the University of Pennsylvania's Institute of Law and Economics and its Law School Board of Overseers, and the Board of Counselors of the University of Southern California. Mr. Cozen is also a director of United America Indemnity, Ltd. and Haverford Trust Co.

**Donald H. Layton**, age 57, became a director of the Company in 2006. Prior to his retirement in 2004 from J.P. Morgan Chase & Co., Mr. Layton was Vice Chairman and a member of its three person Office of the Chairman. Previously, Mr. Layton had been Co-Chief Executive Officer of J.P. Morgan, the investment bank of J.P. Morgan Chase & Co. Mr. Layton became Chairman of the Board of E\*Trade Financial Corporation in late 2007 and in March 2008 he was also named as its chief executive officer. He also is a Senior Advisor to The Securities Industry and Financial Markets Association, a member of the Federal Reserve Bank of New York's International Capital Markets Advisory Committee and the Massachusetts Institute of Technology Visiting Committee for Economics. Mr. Layton also serves as Chairman of the board for The Partnership for the Homeless and director of the International Executive Service Corps.

**Walter A. Scott**, age 70, became a director of the Company upon completion of the IPO and its Chairman in May 2005. Mr. Scott was Chairman, President and Chief Executive Officer of ACE from 1991 until his retirement in 1994 and President and Chief Executive Officer of ACE from 1989 to 1991. Subsequent to his retirement he served as a consultant to ACE until 1996. Mr. Scott was a director of ACE from 1989 through May 2005. Prior to joining ACE, Mr. Scott was President and Chief Executive Officer of Primerica's financial services operations (which is now part of Citigroup). Mr. Scott is currently Chairman and Chief Executive Officer of Beverage Acquisition Group LLC, a Vermont-based hard-cider company. Mr. Scott is an Emeritus Trustee of Lafayette College and a founding trustee of the Bermuda Foundation for Insurance Studies.

*Directors Whose Term Expire in 2010*

**Neil Baron**, age 64, became a director of the Company upon completion of our IPO. Mr. Baron was Chairman of Criterion Research Group, LLC, an independent securities research firm from March 2002 through February 2006, at which time this firm was acquired. Mr. Baron was Vice Chairman and General Counsel of Fitch Inc., a nationally recognized statistical ratings organization, from April 1989 to August 1998. Prior to joining Fitch, Mr. Baron was in private practice for more than 20 years, including at the law firm of Booth & Baron, specializing in structured finance and rating agency matters.

**G. Lawrence Buhl**, age 61, CPA, became a director of the Company upon completion of the IPO. Mr. Buhl was a partner of Ernst & Young LLP and its predecessors through 2003. During his 35-year accounting career, Mr. Buhl served as the Regional Director for Insurance Services in Ernst & Young's Philadelphia, New York and Baltimore offices and as audit engagement partner for more than 40 insurance companies, including those in the financial guaranty industry. Mr. Buhl also serves as a director for Harleysville Group, Inc. (NASDAQ:HGIC) and its majority shareholder, Harleysville Mutual Insurance Company and is chair of each company's audit committee.

**Dominic J. Frederico**, age 55, has been a director, President and Chief Executive Officer of Assured Guaranty since our IPO. Mr. Frederico served as Vice Chairman of ACE from 2003 until 2004 and served as President and Chief Operating Officer of ACE and Chairman of ACE INA Holdings, Inc., from 1999 to 2003. Mr. Frederico was a director of ACE from 2001 through May 2005. From 1995 to 1999 Mr. Frederico served in a number of executive positions with ACE. Prior to joining ACE, Mr. Frederico spent 13 years working for various subsidiaries of the American International Group. Mr. Frederico is a member of the Board of Trustees of Drexel University.

As described in "Proposal No. 2: Approval of the Issuance of Common Shares to WLR Recovery Fund IV, L.P. and/or its Affiliates at the Option of the Company," Wilbur L. Ross, Jr. will be appointed as a director of the Company for a term commencing immediately after the 2008 Annual General Meeting and expiring at the 2009 Annual General Meeting. Mr. Ross's biography is contained in Proposal No. 2.

### INFORMATION ABOUT OUR COMMON SHARE OWNERSHIP

#### *How Much Stock is Owned By Directors and Executive Officers?*

The following table shows our common shares owned directly or indirectly by our directors and executive officers as of March 7, 2008. Unless otherwise indicated, the named individual has sole voting and investment power over the common shares under the column "Common Shares Beneficially Owned." The common shares listed for each director and executive officer constitute less than one percent of our outstanding common shares, except for Mr. Frederico who owns approximately 1.7% of our outstanding common shares if stock units are treated as outstanding and 1.6% of our outstanding common shares of our outstanding common shares if stock units are not treated as outstanding. The common shares beneficially owned by all directors and executive officers as a group constitute approximately 4.0% of our outstanding common shares if stock units are treated as outstanding and 3.6% of our outstanding common shares if stock units are not treated as outstanding. For the purposes of calculating the percentages of our outstanding common shares held by our directors and executive officers, we did not include as outstanding the common shares held by our subsidiary, Assured Guaranty US Holdings Inc.

As of the date of this proxy statement, Wilbur L. Ross, Jr. is not a director of the Company and the Company has not issued any shares to WLR Recovery Fund IV, L.P., an investment fund affiliated with a company managed by Wilbur L. Ross, Jr. Therefore, Mr. Ross is not included in the following directors and executive officers ownership table. As disclosed in "Proposal No. 2: Approval of the Issuance of Common Shares to WLR Recovery Fund IV, L.P. and/or its Affiliates at the Option of the Company," Mr. Ross will be appointed to our Board of Directors for a term commencing immediately after the 2008 Annual General Meeting and expiring at the 2009 Annual General Meeting. Mr. Ross may be deemed to beneficially own such shares once they are sold to WLR Recovery Fund IV, L.P.

Name of Beneficial Owner	Common Shares Beneficially Owned	Unvested Restricted Common Shares(1)	Vested and Unvested Stock Units(2)	Common Shares Subject to Option(3)
Neil Baron	8,056		16,771	
Francisco L. Borges	10,000	3,980	5,991	
G. Lawrence Buhl	11,556	3,187	13,570	
Stephen A. Cozen	16,556	3,187	13,570	
Dominic J. Frederico	290,864	187,497	50,000	833,335
Patrick W. Kenny	8,056		19,100	
Donald H. Layton	10,000	4,100	6,929	
Robin Monro-Davies	10,000	4,182	10,746	
Michael T. O'Kane	3,000	4,182	10,746	
Walter A. Scott	15,556		16,771	
Robert B. Mills	91,239	90,000	20,000	400,001
Michael J. Schozer	82,797(4)	90,000	20,000	400,001
James M. Michener	68,243	57,500	15,000	260,001
Robert A. Bailenson	16,950	13,375	5,000	48,334
All directors and executive officers as a group (14 individuals)	642,873	461,190	224,194	1,941,672

(1) The reporting person has the right to vote (but not dispose of) the common shares listed under "Unvested Restricted Common Shares."

(2) Each non-management director holds stock units, including dividend accruals, which will be mandatorily deferred at least 6 months after the termination of such directors' service on the Board. In addition, our executive officers have restricted stock units that vest on specified

## Edgar Filing: ASSURED GUARANTY LTD - Form PRE 14A

anniversaries of the date of the award, with common shares delivered upon vesting. None of the common shares associated with restricted stock units are deliverable within 60 days of March 7, 2008 and therefore cannot be voted or disposed within such time period. As a result, these shares are not considered beneficially owned under SEC rules. We include them in the table above, however, because we view them as an integral part of share ownership by our directors and executive officers.

- (3) Represents common shares which the reporting person has the right to acquire within 60 days of March 7, 2008 pursuant to options.
- (4) Includes shares owned by Mr. Schozer's spouse over which Mr. Schozer has the power to direct the voting and disposition.

### ***Which Shareholders Own More than 5% of our Common Shares?***

The following table shows all persons we know to be direct or indirect owners of more than 5% of our common shares as of March 7, 2008, unless otherwise indicated. For the purpose of determining the percentage of class held by each such shareholder, we did not include as outstanding the common shares held by our subsidiary Assured Guaranty US Holdings Inc. Our information is based on reports filed with the SEC by each of the firms listed in the table below. You may obtain these reports from the SEC.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class
ACE Limited ACE Global Headquarters 17 Woodbourne Ave. Hamilton, Bermuda	19,157,401	23.64%
WLR Recovery Fund IV, L.P.(1) 600 Lexington Avenue New York, NY 10022	12,116,396	13.01%
S.A.C. Capital Advisors, LLC(2) 72 Cummings Point Road Stamford, CT 06902	5,994,642	7.40%
Ariel Capital Management, LLC(3) 200 East Randolph Drive Suite 2900 Chicago, IL 60601	5,125,845	6.33%

- (1) Subject to the satisfaction of certain conditions, including the receipt of required regulatory approvals and the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act, as described in "Proposal No. 2: Approval of the Issuance of Common Shares to WLR Recovery Fund IV, L.P. and/or its Affiliates at the Option of the Company," WLR Recovery Fund IV has agreed to acquire 10,651,896 common shares pursuant to an investment agreement with the Company dated as of February 28, 2008. The Company currently anticipates that the issuance of the shares pursuant to the investment agreement will occur within 60 days of February 28, 2008. Prior to closing the transaction, WLR Recovery Fund IV does not actually own these shares. According to a Schedule 13D filed by WLR Recovery Fund IV, L.P. filed on March 10, 2008, it is also the beneficial owner of 1,379,400 common shares acquired prior to the execution of the investment agreement and can be deemed to share voting and



## Edgar Filing: ASSURED GUARANTY LTD - Form PRE 14A

dispositive power of an additional 135,100 shares that are owned by its affiliates, WLR Recovery Fund III, L.P. and WLR IV Parallel ESC, L.P. In addition, pursuant to the investment agreement, the Company also has the option to sell WLR Recovery Fund IV, L.P. up to \$750,000,000 additional common shares, although it will need shareholder approval to issue common shares before it can exercise such option in full. If the number of shares held by the Company's other 5% owners does not change, the issuance to WLR Recovery Fund IV, L.P. will reduce the percentage of common shares owned by the Company's other 5% shareholders.

(2)

As of January 25, 2008, based on a Schedule 13G filed jointly by S.A.C. Capital Advisors, LLC, S.A.C. Capital Management, LLC, CR Intrinsic Investors, LLC, Canvas Capital Management, LP and Steven A. Cohen. These entities reported shared voting and dispositive power. The allocation of share ownership among these joint filers is set forth in their Schedule 13G.

(3)

Based on a Schedule 13G/A filed by Ariel Capital Management, LLC filed on March 11, 2008 reporting an event on February 29, 2008. According to such Schedule 13G/A, Ariel had sole voting power of 4,017,040 common shares and sole power to dispose of 5,119,365 common shares.

## EXECUTIVE COMPENSATION

### *Compensation Discussion and Analysis*

#### *Executive Summary*

We provide our executive officers with a base compensation that consists of base salary, retirement and other post termination benefits, employee benefits and perquisites. We also provide variable compensation in the form of an annual cash bonus, equity awards under our long-term incentive plan and cash-based awards under our Performance Retention Plan, which we call PRP.

To a large degree, base salary is determined by employment contracts, most of which were entered into before we became a public company, and which annually renew at the option of the Company and the executive. The Compensation Committee of our Board of Directors evaluates base salary each year to determine if any raises are appropriate. In this decision, it is guided by individual performance and salary and compensation trends among peer group companies, although we do not benchmark any specific percentile. The Compensation Committee also considers individual performance when setting annual base salary. Many of the retirement and employee benefits that we provide to our executive officers are on terms generally available to our salaried employees, although we also provide additional post-termination and change in control compensation to our executive officers.

We use the variable component of our compensation program as the primary tool to reward performance and provide incentives for our key executives to remain with the Company. In establishing variable compensation for each executive officer, the Compensation Committee evaluates both Company and individual performance. As with base compensation, the Compensation Committee considers peer group variable compensation when making variable compensation decisions with respect to its executive officers, but does not target any percentile for any component of variable compensation or for total compensation.

Because the Compensation Committee believed that Company performance for the year was very strong, especially compared to the compensation peer group and other competitors, and that the individual executive officers performed their responsibilities at a high level, meeting applicable individual performance goals, total compensation was generally at the high end for comparable positions at peer group companies, using 2006 data, although that level was not targeted.

#### *Objectives of the Compensation Program*

We are committed to building shareholder value by achieving the following key strategic goals:

Expand our financial guaranty direct business

Maintain our financial guaranty reinsurance franchise

Maintain triple-A (stable) ratings from the three major rating agencies for AGC; maintain double-A (stable) ratings from the three major rating agencies for AG Re.

Maintain underwriting discipline and the quality of our financial guaranty portfolio

Manage capital efficiently

## Edgar Filing: ASSURED GUARANTY LTD - Form PRE 14A

The Compensation Committee reviews the philosophy and objectives of our compensation program annually and makes compensation decisions to recognize and support the achievement of our key strategic goals by:

Attracting and retaining talented executives with established records of success in the financial guaranty or financial services industry to implement the Company's long-term business strategy. As a Bermuda-based company, we also need to manage the unusual circumstances related to attracting and retaining superior executives in Bermuda.

Closely aligning the financial rewards of management with those of the Company's shareholders by linking executive incentives to achieving the Company's short-term and long-term business goals and reward them for such achievement, including growth in shareholder value.

Creating accountability for individual performance measured by individual, unit and Company achievement of goals.

The Compensation Committee implements its objectives by:

Developing performance targets and measures consistent with its key strategic goals and basing incentive compensation on achievement of those goals.

Making long-term incentive awards a significant component of compensation for its senior executive officers to align the interests of these officers with long-term interests of all shareholders.

Establishing vesting requirements for long-term incentive awards such as restricted stock, stock options and PRP awards to encourage our executives to remain with the company and have a long-term perspective.

The compensation program is also designed to reward each executive officer for:

Working together as a team to achieve the Company's strategic goals.

Achieving identified objectives in their areas of responsibility.

Responding quickly and effectively to unanticipated opportunities or challenges.

Demonstrating ethical behavior in compliance with current legal and regulatory standards.

The Compensation Committee takes these factors into account when it evaluates individual performance. For example, 2007 performance goals did not anticipate the deterioration in the credit markets in the second half of 2007. However, the Compensation Committee believes the management team responded promptly and well to this situation by completing a large portfolio reinsurance transaction with Ambac Assurance Corporation and a \$304 million secondary common stock offering in December 2007.

### *Compensation Governance and Administration*

The Compensation Committee oversees all aspects of our executive compensation program. The Compensation Committee has responsibility for establishing executive compensation policies, determining the compensation of the CEO, reviewing the CEO's compensation recommendations regarding other senior officers and determining appropriate compensation for such officers. Our board has adopted a Compensation Committee Charter to govern the Compensation Committee's activities, a copy of which may be found at [www.assuredguaranty.com](http://www.assuredguaranty.com). The charter is reviewed annually by the

## Edgar Filing: ASSURED GUARANTY LTD - Form PRE 14A

Compensation Committee. Under its charter, the Compensation Committee is authorized to retain compensation, legal, accounting and other consultants to assist it.

The Compensation Committee has retained Frederic W. Cook & Co., Inc., who we refer to as Cook, as its compensation consultant. The Compensation Committee has instructed Cook to advise it on executive compensation developments and to assist with peer comparisons of executive compensation and the aggregate amount of long-term incentives. Cook meets periodically with the Compensation Committee and prepares some of the materials for Compensation Committee meetings, such as peer group compensation data and measurements of long term compensation. Cook's work for the Company in 2007 was solely with respect to matters under the Compensation Committee's authority.

The CEO is the principal executive involved with the Compensation Committee in establishing compensation policy and setting the compensation for other executive officers. The CEO generally attends the Compensation Committee meetings, although the Compensation Committee also meets regularly in executive session. Both the General Counsel and the head of Human Resources attend portions of the Compensation Committee meetings and provide additional information and analysis to the Compensation Committee, as requested, and communicate with Cook on committee matters. Between meetings, the chairman of the Compensation Committee will often speak with the CEO or the General Counsel regarding committee and compensation matters.

The Board of Directors has delegated to the CEO the power to approve:

Routine changes to benefit plans.

New hire packages for non-executive officers with expected annual compensation below a specified amount.

New hire equity grants for non-executive officers up to a specified amount of stock options and restricted stock for each new hire. All equity grants authorized by the CEO must be reported to the Compensation Committee at its next meeting.

Routine salary and employment termination arrangements for employees below the top three levels of the Company.

The Compensation Committee meets in February of each year to make executive compensation decisions with respect to the previous year's performance. The Compensation Committee follows this schedule because the February meeting is the earliest practical opportunity to review the prior year's financial results and the performance of the executive officers. To date, other than equity granted in connection with the IPO, all equity grants to executive officers have been approved during the February meeting. At the February meeting, the Compensation Committee discusses its compensation recommendations with the independent, non-management directors who are not on the Compensation Committee. All independent, non-management directors approve executive officer salary increases, bonuses, equity awards and PRP awards. Stock options are priced at the NYSE closing price of the Company's stock on the day the awards are approved by the Compensation Committee and the other independent non-management directors.

### *Elements of Compensation*

The Company provides various elements of compensation to its executive officers, which can be grouped into base compensation and variable compensation. Base compensation is provided for an executive officer's acceptable performance and is only adjusted periodically. Base compensation includes base salary, retirement and other post termination benefits, employee benefits and perquisites.

Variable compensation is adjusted annually to correspond to actual performance in prior periods and to provide incentives to achieve annual and long term goals. To increase the effectiveness of these incentives, a significant portion of executive officer compensation is variable compensation. Variable compensation includes annual bonus and various types of long term compensation.

*Base Compensation*

**Base Salary** The Compensation Committee establishes a base salary for each executive's position, taking into account market conditions, business or professional experience, prior salary history and contractual arrangements. Once established, base salaries are periodically adjusted to reflect inflation and salary changes at peer group companies.

*Analysis* The Compensation Committee does not target base salary as a particular percentage of total compensation, although base salary typically comprises 10%-30% executive officers' total compensation. When determining increases to base salary, the Compensation Committee reviews salary data for comparable performance at peer group companies, considers Company performance and evaluates the individual officer's performance and how it contributed to Company performance. Variable incentive awards do not affect base salary.

**Retirement Benefits** We maintain tax-qualified and non-qualified defined contribution retirement plans for our eligible employees, including executive officers. We contribute 6% of each employee's salary and cash bonus compensation, which we call eligible compensation, to the defined contribution plans. We also have 401(k) type plans, with 100% Company matching up to 6% of eligible compensation.

*Analysis* Because the Company's contribution to retirement plans is based on eligible compensation, we will make higher contributions if an executive officer's base salary or annual bonus increases. We make contributions to these plans to be competitive with other companies and to retain talented employees. The investment return in each employee's retirement account depends on the performance of the investment elections made by each employee. No executive officer is guaranteed any level of retirement payout or preferential return on their accounts. To date, retirement plan contributions and balances have not affected other elements of executive compensation. The Company does not maintain any defined benefit pension plans.

**Other Post-Termination Benefits** The Company provides executive officers other post-termination benefits such as accelerated vesting and severance payments in certain circumstances. See "Executive Compensation Potential Payments Upon Termination or Change of Control."

*Analysis* We have provided these other post-termination benefits because we believe they are customary and are necessary to attract and retain our executive officers. In particular, severance amounts for most of our executive officers were established in employment agreements negotiated before our IPO and the protection provided by the severance provisions of their contracts was a key element in recruiting experienced executives to work for the Company. Similarly, the accelerated vesting for events such as death or disability is typically provided to executives at other companies. To date, these other post-termination benefits have not affected other elements of executive compensation.

**Employee Benefits** Assured provides comprehensive employee benefits to its employees, including its executive officers. These benefits include life, health and disability insurance. The Company also maintains an Employee Stock Purchase Plan, which we refer to as the ESPP, to increase stock ownership by employees. Under the ESPP, employees, including executive officers, may annually purchase up to \$25,000 of our stock at a 15% discount. In 2007 Mr. Frederico and

## Edgar Filing: ASSURED GUARANTY LTD - Form PRE 14A

Mr. Mills participated in the ESPP to the maximum extent allowable.

*Analysis* We believe the level of benefits provided under our programs is generally consistent with practices among our principal competitors for employees, including other financial guaranty companies.

*Perquisites* We also provide executive officers fringe benefits that are not available to employees generally. These include tax preparation, financial planning, golf club membership, executive medical, physical and excess health insurance and, for some of our executive officers located in Bermuda, housing and car allowances, family travel benefits and tax gross ups. Mr. Frederico is provided a golf club membership in both Bermuda and the United States.

*Analysis* These benefits are provided to retain and motivate highly valued executives. In addition, we provide the Bermuda perquisites to attract Mr. Frederico and Mr. Michener to work and reside in Bermuda. These fringe benefits are customary for non-Bermudians who are senior executives working in Bermuda and are provided for in Mr. Frederico's and Mr. Michener's employment agreements. In 2006, changes in U.S. tax law significantly increased the individual U.S. income tax on the housing allowances provided to Mr. Frederico and Mr. Michener. To maintain the net value of their housing allowances, in August 2006, the Compensation Committee approved a tax gross up to Mr. Frederico and Mr. Michener for the cost of the increased taxes. Since Bermuda imposes similar taxes, the Company reimburses Mr. Frederico and Mr. Michener for U.S. Social Security and Medicare taxes incurred when they are working in the United States.

*Employment agreements* Some of the elements of the compensation packages for our executive officers, such as minimum base salary, severance and change in control benefits are governed by the terms of the employment agreements we entered into with these individuals. Details of these agreements are shown under the headings "Executive Compensation Employment Agreements" and "Executive Compensation Potential Payments Upon Termination or Change in Control Employment Agreements."

*Analysis* Beginning in 2003, we recruited executives to implement our business plan and achieve our key strategic goals. Implementation of our business plan involved substantial risk, including the risks of completing a successful IPO, achieving rating improvements and accomplishing the strategic shift to write financial guaranty direct business along with financial guaranty reinsurance. To mitigate these risks, we recruited executives with established records of success in the financial guaranty or financial services industry. Prior to the IPO, Mr. Frederico, Mr. Mills, Mr. Schozer and Mr. Michener left senior positions at well established companies to join us and employment agreements were entered into with these executives at that time. We believe these employment agreements were essential to recruit Mr. Frederico, Mr. Mills, Mr. Schozer and Mr. Michener prior to the IPO. In October 2006, we entered into an employment agreement with Mr. Bailenson. We believe the employment agreements also have served as powerful performance incentives and retention tools by proscribing employment terms, including benefits to executives if their employment is terminated without cause or after a change of control. In addition, each employment agreement contains a non-competition agreement.

*Change of Control Benefits* The vesting of any unvested stock options and restricted stock held by an executive officer will be accelerated on a change of control. In addition, the employment agreements provide that in the event of a change of control, severance benefits are provided if the executive officer, other than Mr. Bailenson, is terminated without cause or resigns during the first 12 months following a change of control. In Mr. Bailenson's case, he will receive severance benefits if he is terminated for any reason after a change in control or resigns during the

12 month period beginning 3 months after a change in control. In each case, the definition of change in control excludes transactions, such as an internal reorganization and when the Company issues shares directly, for which it may not be appropriate to provide change of control benefits. Additional information on benefits provided upon a change of control is shown in "Executive Compensation Employment Agreements" and "Executive Compensation Potential Payments Upon Termination or Change in Control."

*Analysis* We provide for the use of single trigger change of control equity vesting because we believe that is appropriate to best motivate an executive to pursue increases in shareholder value when evaluating a transaction which could result in a change of control. The Compensation Committee believes that severance benefits provided by the employment agreements that were entered into prior to the IPO comprised a key part of the employment package that induced experience officers to work for the Company. Mr. Bailenson was provided separation benefits in his employment contract so that he would have comparable benefits to the Company's other executive officers, although the benefit was modified from the other executive officers' separation agreements to provide additional protections in the event of termination without cause or a change in control.

#### *Variable Compensation*

For the executive officers, other than Mr. Bailenson, the overall mix of variable compensation elements was largely established by their employment agreements entered into in conjunction with the IPO. The agreements were the result of negotiation between each executive officer and the pre-IPO shareholder of the Company. The agreements reflect the Company's view that effective executive compensation should be a blend of several elements of compensation, with no undue reliance on any one element. The compensation mix for Mr. Bailenson has generally followed the mix for the other executive officers because the Compensation Committee believes that it is important to compensate its senior officers on a consistent basis.

**Annual Cash Bonus** The Compensation Committee awards annual cash bonuses to provide incentive compensation to executives for achieving annual goals established for each executive officer. Annual bonuses are also intended to reward executives for overall success of the Company.

*Analysis* In February 2007 we awarded bonus payments to the executive officers for 2006 performance. These amounts were reported in the Summary Compensation Table of our 2007 proxy statement. Similarly, in February 2008 we awarded bonus payments to the executive officers for 2007 performance which are reported in the Summary Compensation Table of this proxy statement. The Compensation Committee uses its discretion to evaluate the performance of each executive officer and the company to set annual cash bonuses. The process followed by the Compensation Committee is discussed below under "Compensation Process." The goals and results for 2007 are discussed below under "2007 Performance and Compensation Decisions."

**Long Term Incentive Program: 2004 Long-Term Incentive Plan** In 2004, we adopted a long-term incentive plan to create incentives for employees to enhance the long-term value of the Company. A key goal of the long-term incentive plan is to increase officer ownership of Company shares, thereby aligning executives' interests with long-term shareholder interests. While the Company's long-term incentive plan provides for a variety of types of awards, the Compensation Committee has made awards to employees, including executive officers, only in the form of shares of restricted stock and stock options. Restricted stock and stock option awards were granted in conjunction with the IPO and as part of annual compensation grants. Cash dividends are paid on the unvested portion of pre-2008 restricted stock grants. Beginning

with the 2008 awards, dividends will be paid in restricted stock units.

*Analysis* In February 2007 we awarded restricted stock and stock option grants to the executive officers for 2006 performance. These grants were reported in our 2007 proxy statement. Further detail on those awards is shown on "Executive Compensation 2007 Grants of Plan-Based Awards." We believe that restricted share awards with delayed vesting are crucial in recruiting and retaining high caliber executives. By providing an immediate equity stake in the Company, restricted stock provides an incentive to achieve the Company's long-term goals. The Company includes stock options as part of long-term compensation because the Company believes that options are a valuable incentive tool, providing compensation only if stock price increases. Restricted stock and stock option grants serve as strong retention incentives since executive officers generally forfeit unvested the stock grants and stock options if they leave the Company. Additional information on our long-term incentive program is provided in "Potential Payments Upon Termination or Change in Control Equity and Incentive Plans." Historically, target equity awards were established in most of the executive employment agreements. Beginning with 2007 performance, the employment agreements no longer establish target equity awards. Since the IPO, the value of the Company's equity grants to all employees as a percentage of its market capitalization have exceeded those of the peer group, which had larger more established businesses. The Compensation Committee has determined that this level of equity grants has been necessary to attract high quality staff from established companies. Cook has advised the Compensation Committee that higher levels of grants as a percentage of market capitalization are often seen in smaller companies. During 2007, the Compensation Committee and management agreed that because the Company is now a well established financial guaranty direct insurer and reinsurer, it is appropriate to lower overall equity grants to be more in line with the peer group. Accordingly, overall equity grants were reduced by approximately 40%. Grants to the executive officers were reduced so as to be consistent with this overall reduction.

**Long Term Incentive Program: Performance Retention Plan** In February 2007 we initiated the PRP. PRP grants were also made in February 2008. PRP awards are cash-based and vest after specified performance periods. Awards granted in 2007 will vest after 4 years. Awards granted in 2008 will generally vest 25% after 2 years; 25% after 3 years and 50% after 4 years. We chose this vesting schedule to be generally consistent with the vesting schedule we use for equity awards. Awards granted in 2007 will increase in value at the rate that the Company's modified adjusted book value increases during the performance period. 2008 awards will increase or decrease in value based 50% on the rate the Company's per share modified adjusted book value changes and 50% on the Company's operating return on equity over each performance period; provided that executive officers will not receive their awards if the modified adjusted book value and operating return on equity performance measures are not met.

*Analysis* We believe the PRP will be a valuable tool in attracting and retaining talented employees because employees will be rewarded for staying with the Company and for profitable growth in our business. Because PRP awards are cash-based, there will be no shareholder dilution from the awards. PRP grants to most executive officers were made for the first time in February 2008, although one grant was made in 2007. The level of PRP award was made to reach the appropriate level of long-term compensation after taking into account the reductions in equity grants described above. Additional information on the PRP is provided in "Potential Payments Upon Termination or Change in Control Equity and Incentive Plans."

#### *Stock Ownership Guidelines*

Since the IPO, the Board of Directors has recommended that each director hold at least 10,000 shares of Company stock within three years of joining the board. Each of our outside directors has attained the recommended ownership level.



## Edgar Filing: ASSURED GUARANTY LTD - Form PRE 14A

Since the IPO, no executive officer has sold any Company common shares or exercised any stock options. However, to further demonstrate the Company's commitment to build shareholder value, in February 2007, the Board of Directors adopted management stock ownership guidelines. The chart below shows the guideline for each executive officer and their stock ownership as of March 6, 2008:

Executive	Guideline	Current Ownership
Dominic J. Frederico	7 × Base Salary	9.6 × Base Salary
Robert B. Mills	5 × Base Salary	4.4 × Base Salary
Michael J. Schozer	5 × Base Salary	5.1 × Base Salary
James M. Michener	5 × Base Salary	4.0 × Base Salary
Robert A. Bailenson	2 × Base Salary	1.2 × Base Salary

These ownership levels represent actual shares owned. Unvested restricted shares and unexercised options do not count towards the guidelines.

Our guidelines do not mandate a time frame by which this ownership must be attained, but Mr. Frederico, Mr. Mills, Mr. Michener and Mr. Schozer must retain 100% of their after-tax receipt of Company stock until they reach their ownership goal. Mr. Bailenson must retain at least 50% of his after-tax receipt of Company stock until he reaches his ownership goal.

In addition, in February 2007, the Company amended its stock trading policy to prohibit hedging with respect to Company stock so as to be consistent with its stock ownership philosophy.

Please see "Information About Our Common Share Ownership How Much Stock is Owned by Directors and Executive Officers" for detailed information on the executive officers' stock ownership.

### *U.S. Internal Revenue Code Section 162(m) Requirements and Performance-Based Compensation*

Section 162(m) of the U.S. Internal Revenue Code limits the deductibility of annual compensation in excess of \$1 million paid to the Company's CEO and any of the four other highest paid executive officers, which we refer to as the \$1 million limit. The Company is not subject to U.S. income taxes and so, generally, the limit would not affect amounts payable by the Company. However, if an employee of a U.S. subsidiary is among the five most highly compensated officers, that subsidiary's deduction for compensation paid to the officer would be subject to the \$1 million limit. Mr. Schozer is a full time employee of a U.S. subsidiary. The other executive officers allocate their time between our Bermuda and U.S. operations.

Compensation otherwise subject to the \$1 million limit will be exempt from the limit if it qualifies as performance-based compensation, as defined by the IRS. In May 2005, we received shareholder approval of our 2004 Long-Term Incentive Plan, which is one of the conditions for treatment of a payment or distribution as performance-based compensation. A payment or distribution will be treated as performance-based compensation under the limit only if it is contingent on achievement of performance objectives. For example, stock options are generally treated as performance-based compensation, while guaranteed payments are not. For 2007, the highest paid five executive officers received stock option awards and PRP grants and participated in an annual cash and stock bonus program that were designed to satisfy the requirements for performance-based compensation.

We have designed an annual cash and stock bonus program generally to qualify as performance-based compensation. This program provides for establishment of a bonus pool of cash and a bonus pool of shares of Company stock. The amount of cash and shares to be allocated to the respective 2007 bonus pools was based on the level of "2007 adjusted income" compared to pre-established objectives for such income or the "adjusted income goal." The cash bonus pool began to accrue if adjusted net income was 50% of the adjusted income goal and increased at higher rates as adjusted net income

increased. The bonus pool of shares was established if adjusted net income was 50% of the adjusted net income goal and increased by 50% if the adjusted net income goal was reached. The Compensation Committee viewed the threshold for cash and stock bonus amounts as substantially uncertain at the time established.

2007 adjusted income means net income of the Company, excluding the after-tax earnings impact of each of the following items if they occur during the 2007 Performance Period:

realized investment gains and losses, including those resulting from the sale of subsidiaries and affiliates, for the 2007 Performance Period;

the cumulative effect of changes in accounting principles for the 2007 Performance Period required by the Financial Accounting Standards Board, the SEC or any other governing body that sets accounting standards as set forth in the Consolidated Statement of Income or the Notes thereto as reported in the Annual Report;

the cumulative effect of changes in the tax law occurring during the 2007 Performance Period as set forth in the Consolidated Statement of Income or the Notes thereto as reported in the Annual Report;

extraordinary items, as defined under generally accepted accounting principles, during the 2007 Performance Period as set forth in the Consolidated Statement of Income as reported in the Annual Report;

charges related to the acquisition and integration of a company or business acquired within twelve months of such acquisition; such charges would result primarily from anticipated costs of the acquisition and the application of the company's strategies, policies and practices to the acquired company's reserves;

unrealized gains/losses on derivative financial instruments;

gains or losses related to accounting for any reinsurance transactions between the Company and its subsidiaries and ACE and its subsidiaries that are treated as retroactive reinsurance; and

losses in excess of \$50 million related to any single credit.

Under the cash portion of the program, the CEO is permitted to receive up to 40% of the bonus pool, and the other four executive officers were each permitted to receive up to 15% of the bonus pool. The Compensation Committee believed that these relative percentages reflect the leadership role of the CEO. For 2007, the cash bonus pool was \$8.9 million, of which \$6.85 million was awarded.

Under the stock grant portion of the program, the CEO is permitted to receive up to 125,000 shares, the second and third highest paid executive officers are each permitted to receive up to 60,000 shares, and the fourth and fifth highest paid executive officers are each permitted to receive up to 30,000 shares.

The program permits the Compensation Committee to reduce the cash bonus amount or the stock bonus amount at its discretion based on such factors as the committee determines to be appropriate. The financial and non-financial measures and goals considered by the committee in determining the amount of the final cash and share awards under the program are described below under the heading "2007 Performance and Compensation Decisions."

PRP grants to the executive officers in February 2008 were designed to qualify to be performance-based compensation, exempt from the \$1 million limit.

The Compensation Committee does not use deductibility as the sole factor in determining appropriate levels or methods of compensation. Since Company objectives may not always be consistent with the requirements for full deductibility, the Company and subsidiaries, have entered, and may in



the future enter into compensation arrangements under which payments would not be deductible by reason of the \$1 million limit.

Section 409A of the U.S. Internal Revenue Code imposes restrictions on nonqualified deferred compensation plans. The Company maintains defined contribution plans in the U.S. and Bermuda that are subject to the requirements of section 409A. Those plans provide for employee and employer contributions in excess of the IRS limits, and the Company believes that they satisfy section 409A.

#### *Compensation Process*

The Compensation Committee annually establishes Company and executive officer performance goals, reviews prior compensation decisions, benchmarks the Company's executive compensation against a peer group, reviews the performance of the Company against its plan and the performance of the competitors, reviews the performance of each executive officer and makes annual compensation decisions.

*Executive Officer Performance Goals* The Compensation Committee annually establishes performance goals for the CEO, which we call CEO performance measures. Not all CEO performance measures are of equal weight and there is no quantitative method by which the Compensation Committee applies the CEO performance measures. The 2007 CEO performance measures included the following financial performance measures from the 2007 business plan, as approved by the board: net income, operating income, book value per share, adjusted book value per share, operating income per share, operating return on equity (excluding AOCI and FAS 133), expense ratio (excluding the Other segment), direct financial guaranty segment present value of premiums, which we refer to as PVP, and reinsurance segment PVP. (See the explanation of non-GAAP financial measures at the end of the Compensation Discussion and Analysis.) The CEO performance measures included the following non-financial performance measures focused on implementation of our key strategic goals: strategy and leadership, ratings improvement, effective management of enterprise risk, management development and succession planning and credit quality.

The Compensation Committee uses the same Company financial performance measures to evaluate the performance of the other executive officers as it does for the CEO. In addition, the Compensation Committee approves annual performance goals for each other executive officer based on the recommendations of the CEO. The performance goals for these officers are primarily related to the following position responsibilities:

Mr. Schozer Direct financial guaranty segment business

Mr. Mills Financial management, financial reporting and corporate administration

Mr. Michener Legal, human resources and internal audit

Mr