

ASSURED GUARANTY LTD
Form PREM14A
December 24, 2008

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

SCHEDULE 14A

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

Filed by the Registrant

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:
Common stock of Financial Security Assurance Holdings Ltd.
 - (2) Aggregate number of securities to which transaction applies:
33,296,773 (together with any shares of common stock issued to the seller after the date of the purchase agreement)
 - (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

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it was determined):

Per unit price is not applicable; consideration consists of \$361,000,000 in cash and up to 44,567,901 common shares of Assured Guaranty Ltd. The average of the high and low prices for common shares of Assured Guaranty Ltd. on the NYSE on December 19, 2008 was \$11.66.

- (4) Proposed maximum aggregate value of transaction:
\$880,661,726 (calculated pursuant to Rule 0-11(c)(1)(i) and Rule 0-11(a)(4) under the Securities Exchange Act of 1934, as amended)
- (5) Total fee paid:
\$34,610

- 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:
-

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PRELIMINARY PROXY STATEMENT, SUBJECT TO COMPLETION

, 2009
Hamilton, Bermuda

Dear Shareholders:

On behalf of the board of directors, we are pleased to deliver to you our proxy statement relating to Assured's acquisition of Financial Security Assurance Holdings Ltd., or FSAH, the holding company for Financial Security Assurance Inc., or FSA. The combination of Assured and FSA will create a global leader in financial guaranty insurance, improve our financial strength and enhance our competitive position versus existing and new competitors.

In this transaction, we will acquire from Dexia Holdings, Inc., or Dexia Holdings, a subsidiary of Dexia S.A., or Dexia, substantially all of the capital stock of FSAH in exchange for the issuance of up to 44,567,901 Assured common shares, or approximately 24.9% of our outstanding common shares after giving effect to the acquisition and related financing, and \$361 million in cash, subject to adjustment. We intend to finance the cash portion of the acquisition with the net proceeds of a public offering of equity securities. We have obtained a commitment from an investment fund, managed by WL Ross & Co. LLC, an affiliate of Wilbur L. Ross, Jr., one of our directors, to purchase \$361 million of our common shares if we are not able to successfully complete a public offering of equity securities. WLR Recovery Fund IV, L.P. and other funds managed by WL Ross & Co. LLC, or the WLR Funds, currently hold approximately 13.4% of our outstanding common shares. If the WLR Funds purchase the maximum amount of our common shares covered by this backstop commitment, or the WLR Backstop Commitment, they would own approximately 34.8% of our outstanding common shares. Both Dexia Holdings and the WLR Funds have agreed that the voting power with respect to the Assured common shares owned by each of them will be reduced to less than 9.5% of the total voting power of all Assured common shares outstanding.

All of our directors (other than Mr. Ross, who did not vote on the matter) approved the acquisition of FSAH and the issuance of Assured common shares to Dexia Holdings or its designated affiliate and the WLR Funds. We will hold a special general meeting on , 2009, at the [Fairmont Hamilton Princess Hotel, 76 Pitts Bay Road, Hamilton, Bermuda at [8:00 a.m. Atlantic Time]] to obtain the approval of Assured shareholders for the issuance of the Assured common shares to Dexia Holdings or its designated affiliate and to the WLR Funds pursuant to the WLR Backstop Commitment.

ACE Bermuda Insurance Ltd., which owns approximately 21.1% of our outstanding common shares, has agreed to vote, subject to customary conditions, in favor of the issuance of Assured common shares to Dexia Holdings in the acquisition.

All of our directors (other than Mr. Ross, who did not vote on the matter) recommend that you vote "FOR" each of the proposals described in this proxy statement. The approval of the issuance of the Assured common shares to Dexia Holdings or its designated affiliate is a condition to the closing of the acquisition. Accordingly, a vote against the proposal relating to this issuance effectively will be a vote against the acquisition. The approval of the issuance of the Assured common shares to the WLR Funds is not required to complete the acquisition, though a failure to approve such issuance would subject us to the risk of not being able to raise sufficient funds to complete the acquisition.

We encourage you to carefully review this proxy statement, which contains important information concerning Assured, FSA, FSAH, the proposed acquisition and the proposals to be voted upon by shareholders at the special general meeting. In addition, the section entitled "Risk Factors" beginning on page 20 contains a description of risks that you should consider in evaluating the proposals and the proposed acquisition.

Your vote is very important. 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.

Sincerely,

Walter A. Scott
Chairman of the Board

Dominic J. Frederico
President and Chief Executive Officer

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PRELIMINARY PROXY STATEMENT, SUBJECT TO COMPLETION

NOTICE OF SPECIAL GENERAL MEETING

, 2009
Hamilton, Bermuda

TO THE SHAREHOLDERS OF ASSURED GUARANTY LTD.:

The Special General Meeting of Assured Guaranty Ltd., or Assured, will be held on _____, _____, 2009, at [8:00 a.m. Atlantic Time at the Fairmont Hamilton Princess, 76 Pitts Bay Road, Hamilton, Bermuda, for the following purposes:]

1. To vote on the issuance of Assured common shares to Dexia Holdings, Inc. (or its designated affiliate) in connection with Assured's acquisition of Financial Security Assurance Holdings Ltd.;
2. To vote on the issuance of Assured common shares to WLR Recovery Fund IV, L.P. and/or its affiliated funds pursuant to the WLR Backstop Commitment; and
3. 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 Assured, at the close of business on _____, 2009, are entitled to notice of, and to vote at, the Special General Meeting.

ALL OF ASSURED'S DIRECTORS (OTHER THAN WILBUR L. ROSS, JR., WHO DID NOT VOTE ON THE MATTER) RECOMMEND THAT YOU VOTE "FOR" EACH OF THE PROPOSALS DESCRIBED IN THIS PROXY STATEMENT.

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 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

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ASSURED GUARANTY LTD.

**30 Woodbourne Avenue
Hamilton HM 08 Bermuda
, 2009**

PROXY STATEMENT

Assured Guaranty Ltd. is sending you this proxy statement in connection with its Special General Meeting which will be held on _____, 2009 at 8:00 a.m. Atlantic Time at the Fairmont Hamilton Princess, 76 Pitts Bay Road, Hamilton, Bermuda. At this meeting you will be asked to vote on two proposals in connection with Assured's proposed acquisition of Financial Security Assurance Holdings Ltd., which we refer to in this proxy statement as "FSAH," the parent company of, among others, Financial Security Assurance Inc., which we refer to in this proxy statement as "FSA." The first proposal relates to Assured's issuance of Assured common shares to FSAH's parent company, Dexia Holdings, Inc., which we refer to in this proxy statement as "Dexia Holdings," or its designated affiliate. The second proposal relates to the issuance of Assured common shares to WLR Recovery Fund IV, L.P. and/or its affiliated funds, which we refer to in this proxy statement as the "WLR Funds." This issuance of shares to the WLR Funds would fund all or a portion of the cash portion of the purchase price for FSAH.

_____, 2009 is the record date for the Special General Meeting. If you owned Assured common shares at the close of business on _____, 2009, you are entitled to vote. On that date, _____ Assured common shares were outstanding and entitled to vote at the Special General Meeting, including _____ unvested restricted common shares (but excluding 5,354,116 common shares held by Assured's subsidiary, Assured Guaranty US Holdings Inc.). Assured's common shares are its only class of voting stock. Assured will begin mailing this proxy statement on or about _____, 2009 to all shareholders entitled to vote.

References in this proxy statement to "Assured," "we," "us," "our" and the "Company" refer to Assured Guaranty Ltd. and, unless the context otherwise requires or unless otherwise stated, its subsidiaries.

FORWARD-LOOKING STATEMENTS

This proxy statement, including the documents we incorporate by reference, contains "forward-looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995. These forward-looking statements may include forward-looking statements which reflect Assured's current views with respect to future events and financial performance. These statements include forward-looking statements both with respect to us specifically and the insurance and reinsurance industries in general. Statements which include the words "expect," "intend," "plan," "believe," "project," "anticipate," "may," "will," "continue," "further," "seek" and similar words or statements of a future or forward-looking nature identify forward-looking statements for purposes of the federal securities laws or otherwise. All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause Assured's actual results to differ materially from those indicated in these statements. We believe that these factors include the following:

downgrades of the financial strength ratings assigned by the major rating agencies to any of Assured's insurance subsidiaries at any time, which has occurred in the past;

Assured's inability to execute its business strategy;

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reduction in the amount of reinsurance ceded by one or more of Assured's principal ceding companies;

contract cancellations;

developments in the world's financial and capital markets that adversely affect Assured's loss experience, the demand for Assured's products, Assured's unrealized (losses) gains on derivative financial instruments or Assured's investment returns;

more severe or frequent losses associated with Assured's insurance or reinsurance products;

FSAH and its subsidiaries performing differently than currently expected by Assured or the failure to realize anticipated benefits from Assured's acquisition of FSAH;

changes in regulation or tax laws applicable to Assured, Assured's subsidiaries or customers;

governmental actions;

natural catastrophes;

dependence on customers;

decreased demand for Assured's insurance or reinsurance products or increased competition in Assured's markets;

loss of key personnel;

technological developments;

the effects of mergers, acquisitions and divestitures;

changes in accounting policies or practices;

changes in general economic conditions, including interest rates and other factors;

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

management's response to these factors.

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

of new information, future developments or otherwise.

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

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended, which we refer to in this proxy statement as the "Securities Act," and Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to in this proxy statement as the "Exchange Act."

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL GENERAL MEETING

Why did you send me this proxy statement?

Assured sent you this proxy statement and the enclosed proxy card because Assured's board of directors is soliciting your proxy to vote at the Special General Meeting, which will be held on _____, _____, 2009, at [8:00 a.m. Atlantic Time at the Fairmont Hamilton Princess, 76 Pitts Bay Road, Hamilton, Bermuda.]

This proxy statement summarizes the information you need to vote at the Special General Meeting. You do not need to attend the Special 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 special general meeting?

There are two proposals scheduled to be voted on at the Special General Meeting:

The approval of the issuance of Assured common shares to Dexia Holdings or its designated affiliate in connection with Assured's acquisition of FSAH.

The approval of the issuance of Assured common shares to the WLR Funds in connection with Assured's acquisition of FSAH.

Assured's Board recommends that you vote your shares "FOR" the approval of the issuance of Assured common shares to Dexia Holdings or its designated affiliate and "FOR" the approval of the issuance of Assured common shares to the WLR Funds.

Why is Assured seeking shareholder approval of the issuance of Assured common shares?

The Assured common shares to be issued to Dexia Holdings in connection with its acquisition of FSAH may constitute 20% or more of the total Assured common shares outstanding prior to such issuance. Under the rules of the New York Stock Exchange, which we refer to in this proxy statement as the "NYSE," shareholder approval is required as a general matter prior to the issuance of common shares that would constitute 20% or more of the total common shares outstanding before the issuance.

The common shares to be issued to the WLR Funds in connection with the acquisition may constitute 1% or more of the total Assured common shares outstanding or total voting power prior to such issuance. Such issuance requires shareholder approval under NYSE rules because the WLR Funds are affiliates of Mr. Wilbur L. Ross, Jr., a director of Assured (and because the WLR Funds are significant shareholders of Assured). Assured's shareholders approved the issuance of Assured common shares to the WLR Funds under a previously executed investment agreement at Assured's 2008 Annual General Meeting. However, shareholder approval is needed with respect to the common shares that would be issued pursuant to the amendment to that agreement, which we refer to in this proxy statement as the "WLR Backstop Commitment," because the price and other terms for common shares issued pursuant to the WLR Backstop Commitment are different from the terms originally approved by the shareholders.

What happens if the shareholders do not approve the issuance of common shares to Dexia Holdings or to the WLR Funds?

If Assured's shareholders do not approve the issuance of common shares to Dexia Holdings, one of the conditions to the closing of the acquisition will not have been satisfied and the closing may not occur. If Assured's shareholders do not approve the issuance of common shares to the WLR Funds, Assured will be required to complete a public offering of equity securities or find an alternative equity source to fund the cash portion of the purchase price for FSAH. Because Assured's obligation to complete the acquisition is not subject to a financing contingency, a failure to find an alternative source

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of financing would result in a breach of the stock purchase agreement which could expose Assured to a claim by Dexia Holdings for damages or specific performance.

Why does Assured's board of directors believe it would be in the best interests of Assured and its shareholders to vote to approve the issuance of Assured common shares to Dexia Holdings and the WLR Funds?

Assured's board of directors recommends that the shareholders vote to approve the issuance of the common shares because of the board's belief that the acquisition of FSAH represents a unique opportunity for Assured to create the premier financial guaranty company by combining the talent, capacity, financial resources and relationships of Assured and FSAH. The Assured common shares to be issued to the WLR Funds pursuant to the WLR Backstop Commitment will only be issued if Assured is unable to complete a public equity offering at a more attractive price than that provided under the WLR Backstop Commitment.

How will Assured use the proceeds of the issuance of these common shares?

The common shares issued to Dexia Holdings or its designated affiliate will constitute part of the purchase price for the acquisition of FSAH. If any Assured common shares are issued to the WLR Funds, the proceeds from that will fund all or a portion of the cash portion of the purchase price in the FSAH acquisition.

Are there any material adverse tax consequences to Assured if the shareholders approve the issuance of common shares?

The issuance of common shares to Dexia Holdings or its designated affiliate and the WLR Funds is not expected to have a material adverse tax consequence to Assured or its shareholders. For a further description, see "The Stock Purchase Agreement and Ancillary Agreements Tax Discussion."

Will the issuance of common shares to Dexia Holdings and to the WLR Funds have a dilutive effect on Assured's outstanding common shares?

Because we do not know how many shares will ultimately be issued to Dexia Holdings or its designated affiliate or the WLR Funds or the amount the WLR Funds will pay for any such shares they purchase in relation to the then current book value per share, we cannot determine whether any share issuances will have a dilutive effect and we cannot assure you that there will not be any dilutive effect on Assured's outstanding common shares. However, the issuance of shares to Dexia Holdings or its designated affiliate is part of the purchase price for Assured's acquisition of FSAH, and proceeds of the issuance of common shares to the WLR Funds would be used to fund the acquisition, a transaction the Assured board of directors believes is in the best interests of Assured and its shareholders. Also, while the share issuance may decrease the proportional voting of Assured's existing shareholders, both Dexia Holdings and the WLR Funds will be subject to limitations on their voting power.

Will the share issuance affect the price of Assured's common shares?

It is difficult to predict how any issuance of common shares will affect the stock price. As a result of the issuance of common shares to Dexia Holdings or its designated affiliate and the WLR Funds, there will be a significant number of additional common shares that could be sold in the public markets. Any such sales, or the anticipation of the possibility of such sales, represent an overhang on the market and could depress the market price of Assured's common shares. Both Dexia Holdings and the WLR Funds have agreed to certain limitations with respect to the resale of their Assured common shares. See "The Stock Purchase Agreement and Ancillary Agreements Dexia Holdings Agreements with Respect to Assured Common Shares" and "The WLR Backstop Commitment Original Investment Agreement."

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Are proxy materials available on the Internet?

**Important Notice Regarding the Availability of Proxy Materials for the
Shareholder Meeting To Be Held on _____, 2009**

**Yes. The proxy statement for the Special General Meeting and form of proxy card are available at
<http://www.assuredguaranty.com/annualmeeting.html>.**

Who is entitled to vote?

_____, 2009 is the record date for the Special General Meeting. If you owned Assured common shares at the close of business on _____, 2009, you are entitled to vote. On that date, _____ Assured common shares were outstanding and entitled to vote at the Special General Meeting, including _____ unvested restricted common shares (but excluding 5,354,116 common shares held by Assured's subsidiary, Assured Guaranty US Holdings Inc.). Assured's common shares are its only class of voting stock. Assured will begin mailing this proxy statement on or about _____, 2009 to all shareholders entitled to vote.

How many votes do I have?

In general, you have one vote for each Assured common share that you owned at the close of business on _____, 2009, except that if, and so long as, the "controlled shares," which Assured's Bye-laws define generally to include all Assured common shares directly, indirectly or constructively owned or beneficially owned by any person or group of persons, owned by any "United States person," as defined in the U.S. Internal Revenue Code of 1986, as amended, which we refer to in this proxy statement as the "Internal Revenue Code," constitute 9.5% or more of Assured's 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 Assured's Bye-Laws. The Assured common shares owned by the WLR Fund are subject to this voting restriction and, as a result, the voting rights of all other shareholders will be increased accordingly.

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

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 approval of the issuance of Assured common shares to Dexia Holdings or its designated affiliate under the stock purchase agreement.

"FOR" the approval of the issuance of Assured's common shares to the WLR Funds under the WLR Backstop Commitment.

If any other matter is presented, your proxy will vote in accordance with the best judgment of the individuals named on your proxy card. As of the date of this proxy statement, we knew of no matters that needed to be acted on at the Special General Meeting, other than those discussed in this proxy statement.

May I vote by telephone or via the Internet?

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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

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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 through the Internet.

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 Special 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 Special 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 Special 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 special general meeting?

You may vote shares held directly in your name as the shareholder of record in person at the Special General Meeting. If you choose to vote your shares in person at the Special General Meeting, please bring the enclosed proxy card or proof of identification. Even if you plan to attend the Special 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 Special 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 Special 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 _____, 2009.

You can obtain directions to attend the Special General Meeting by contacting Natasha Medeiros at 441-299-9375 or at nmedeiros@assuredguaranty.com.

What votes need to be present to hold the special general meeting?

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To have a quorum for the Special General Meeting, two or more persons must be present, in person or by proxy, representing more than 50% of the Assured common shares that were outstanding

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on _____, 2009. As of _____, 2009, Assured's subsidiary, Assured Guaranty US Holdings Inc., owned 5,354,116 Assured common shares. While it does not intend to vote these shares at the upcoming Special 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?

Approval of Issuance of Common Shares to Dexia Holdings or its designated affiliate under the stock purchase agreement The approval of the issuance of common shares to Dexia Holdings or its designated affiliate under the stock purchase agreement requires the affirmative vote of a majority of the votes cast on such proposal at the Special General Meeting provided that the total votes cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal.

Approval of Issuance of Common Shares to the WLR Funds under the WLR Backstop Commitment The approval of the issuance of common shares to the WLR Funds under the WLR Backstop Commitment requires the affirmative vote of a majority of the votes cast on such proposal at the Special General Meeting provided that the total votes cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal.

How are votes counted?

Your vote may be cast "FOR" or "AGAINST" or you may "ABSTAIN" with respect to the approval of the share issuance to Dexia Holdings or its designated affiliate under the stock purchase agreement and/or with respect to approval of the shares issued to the WLR Funds under the WLR Backstop Commitment. 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 toward the presence of a quorum but will not be considered present and voting with respect to matters to be voted upon at the Special General Meeting. Therefore, abstentions and "broker non-votes" could have the same effect as votes cast against approval if they cause the total votes cast on the matter to be 50% or less of the total voting power entitled to vote on the proposal.

Whom should I call if I have any questions?

If you have any questions about the special general meeting or voting, please contact James M. Michener, Assured's Secretary, at 441-278-6679 or at jmichener@assuredguaranty.com. If you have any questions about your ownership of Assured common shares, please contact Sabra Purtill, Assured's Managing Director, Investor Relations and Strategic Planning, at 441-278-6665 or 212-408-6044 or at spurtill@assuredguaranty.com.

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SUMMARY

This summary highlights selected information appearing elsewhere in this proxy statement and does not contain all the information that you should consider in making your voting decision. You should read this summary together with the more detailed information, including the financial statements and the related notes and pro forma information elsewhere in this proxy statement and the documents incorporated by reference herein. You should read this proxy statement in its entirety.

Basic Terms and Structure of the Transaction (See page 44)

Under the stock purchase agreement, Assured will acquire from Dexia Holdings 33,296,773 shares of FSAH common stock (and any shares of FSAH common stock issued to Dexia Holdings after the date of the stock purchase agreement) representing approximately 99.8524% of the issued and outstanding shares of FSAH common stock. Dexia Cr dit Local S.A., which we refer to in this proxy statement as "Dexia Cr dit Local," a French bank and the parent of Dexia Holdings, has irrevocably guaranteed the payment and performance by Dexia Holdings of all of its liabilities and obligations under the stock purchase agreement. Dexia Cr dit Local had total assets and total shareholders' equity as of September 30, 2008 of € billion and € billion, respectively. The remaining shares of FSAH are currently held by current or former directors of FSAH. Assured expects that it will acquire the remaining shares of FSAH common stock concurrent with the closing of the acquisition of shares of FSAH common stock from Dexia Holdings or shortly thereafter at the same price paid to Dexia Holdings. The full text of the stock purchase agreement is attached as Appendix A to this proxy statement and is incorporated by reference into this proxy statement in its entirety.

Assured has agreed to pay Dexia Holdings total consideration of approximately \$722 million (based upon the closing price of Assured's common shares on the NYSE on November 13, 2008 of \$8.10), consisting of \$361 million in cash and up to 44,567,901 Assured common shares, subject to adjustment in the event of issuances of Assured common shares prior to the closing at a price less than \$8.10 per share. Under the stock purchase agreement, Assured may elect to pay \$8.10 per share in lieu of up to 22,283,951 Assured common shares that it would otherwise deliver as part of the purchase price.

The stock purchase agreement provides that Dexia S.A., which we refer to in this proxy statement as "Dexia," the ultimate parent of Dexia Cr dit Local and Dexia Holdings, will issue guarantees in relation to FSAH's financial products business' assets and liabilities and anticipates that its guarantees will benefit from guarantees, which we refer to in this proxy statement as the "sovereign guarantees," issued by the Belgian and French states. If the sovereign guarantees are issued, Dexia Holdings will also cause FSAH to transfer the ownership interests of certain of the subsidiaries that conduct its financial products business, which we refer to in this proxy statement as the "financial products subsidiaries", or all of the assets and liabilities of these subsidiaries, to Dexia Holdings or one of its affiliates in form reasonably acceptable to Assured. See "Financial Products Agreements." FSAH's leveraged tax lease debt defeasance business, which is being acquired by Assured, will be effectively removed from the financial products subsidiary that operates that business prior to its transfer to Dexia Holdings or an affiliate. See "The Stock Purchase Agreement and Ancillary Agreements Financial Products Agreements FSA Global Agreement."

Dexia Holdings Agreements with Respect to Assured Common Shares (see page 45)

Dexia Holdings has agreed that the voting rights with respect to all Assured common shares issued to Dexia Holdings pursuant to the stock purchase agreement will constitute less than 9.5% of the voting power of all issued and outstanding Assured common shares. Dexia Holdings has also agreed to certain standstill agreements and limitations on transfer of its Assured common shares.

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Assured has agreed to file a registration statement within 60 days following the closing to register for resale the common shares it issues pursuant to the stock purchase agreement and has also agreed to provide Dexia Holdings and its transferees piggyback registration rights for such shares.

Board Representation (see page 46)

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

Financial Products Agreements (see page 46)

Under the stock purchase agreement, Assured has agreed to acquire FSAH. Assured is not, however, acquiring FSAH's financial products business, which is described below under "The Companies FSAH." Assured expects FSAH to distribute to Dexia Holdings or one of its affiliates those financial products subsidiaries, which we refer to in this proxy statement as the "GIC subsidiaries," that issued guaranteed investment contracts, which we refer to in this proxy statement as "GICs" and FSA Asset Management LLC, which we refer to in this proxy statement as "FSAM," which is the financial products subsidiary that is responsible for the investment of the assets underlying the principal amount of the GICs issued by the GIC subsidiaries. Under the stock purchase agreement, Assured and Dexia Holdings have agreed to negotiate a number of agreements, which we refer to in this proxy statement as the "transaction agreements," pursuant to which Dexia would guarantee or otherwise take responsibility for the assets and liabilities of the financial products business. Dexia is a Belgian corporation whose shares are traded on the Euronext Brussels and Euronext Paris markets as well as on the Luxembourg Stock Exchange. Dexia is primarily engaged in the business of public finance, banking and investment management in France, Belgium, Luxembourg and other European countries, as well as in the United States. Dexia had total assets and total shareholders' equity as of September 30, 2008 of €636.9 billion and €8.5 billion, respectively. See "The Stock Purchase Agreement and Ancillary Agreements Financial Products Agreements."

Post-Closing Conduct of Business (see page 54)

Under the stock purchase agreement, Assured has agreed to conduct its business, including the business it acquires from FSAH, subject to certain restraints described under "The Stock Purchase Agreement and Ancillary Agreements Post-Closing Conduct of Business."

The Companies

Assured

Assured Guaranty Ltd. is a Bermuda-based holding company providing, through its operating subsidiaries, credit enhancement products to the public finance, structured finance and mortgage markets. Credit enhancement products are financial guarantees or other types of support, including credit derivatives, which improve the credit of underlying debt obligations. Assured applies its credit expertise, risk management skills and capital markets experience to develop financial guaranty insurance and reinsurance products, some of which are provided in the form of credit default swaps, that meet the credit enhancement needs of its customers. Assured markets its products directly and through financial institutions, serving the U.S. and international markets.

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Assured's principal operating subsidiaries are Assured Guaranty Corp., which we refer to in this proxy statement as "AGC," and Assured Guaranty Re Ltd., which we refer to in this proxy statement as "AG Re." AGC, a Maryland-domiciled insurance company, was organized in 1985 and commenced operations in January 1988. AGC provides insurance and reinsurance of investment grade financial guaranty exposures, including municipal and non-municipal reinsurance, and credit default swap transactions.

AG Re is incorporated under the laws of Bermuda and is currently licensed as a Class 3 Insurer (though it has recently applied to the Bermuda Monetary Authority to be reclassified as a Class 3B Insurer) and a Long-Term Insurer under the Insurance Act 1978 and related regulations of Bermuda. AG Re writes business as a direct reinsurer of third-party primary insurers and as a reinsurer/retrocessionaire of certain affiliated companies and may provide portfolio credit default swaps, where the counterparty is usually an investment bank.

In October 2008, AGC entered into an agreement with CIFG Assurance North America, Inc., which we refer to in this proxy statement as "CIFG NA," under which AGC will assume via reinsurance approximately \$13 billion of net par insured from CIFG NA's U.S. public finance business. As part of the transaction, AGC will receive unearned premium reserves of approximately \$88 million.

The address of Assured's principal executive offices is 30 Woodbourne Avenue, Hamilton HM 08 Bermuda and its telephone number there is (441) 296-4004.

FSAH

FSAH, through its insurance company subsidiaries, is primarily engaged in the business of providing financial guaranty insurance on public finance obligations in domestic and international markets. FSAH's principal insurance company subsidiary is FSA, a wholly owned New York insurance company. Prior to August 2008, FSA provided financial guaranty insurance on both public finance and asset backed obligations. On August 6, 2008, FSA announced that it would cease providing financial guaranty insurance on asset backed obligations and instead participate exclusively in the global public finance financial guaranty business. In addition, FSAH, through its financial products business, offers FSA-insured GICs, and other investment agreements, including medium-term notes, which we refer to in this proxy statement as "MTNs," through other consolidated entities.

The address of FSAH's principal executive offices is 31 West 52nd Street, New York, New York 10019 and its telephone number there is (212) 826-0100.

Financing Plan and the WLR Backstop Commitment (see page 63)

Assured intends to finance the cash portion of the purchase price with the net proceeds of a public offering of equity securities. In conjunction with the stock purchase agreement, Assured entered into the WLR Backstop Commitment, dated as of November 13, 2008, with WLR Recovery Fund IV, L.P., which we refer to in this proxy statement as "WLR Fund IV," which amended the investment agreement, which we refer to in this proxy statement as the "Investment Agreement," dated as of February 28, 2008, between Assured and WLR Fund IV. The full text of the WLR Backstop Commitment is attached as Appendix B to this proxy statement and is incorporated by reference into this proxy statement in its entirety. Pursuant to the WLR Backstop Commitment, WLR Fund IV granted Assured the option to cause the WLR Fund IV (or one of its affiliates) to purchase up to \$361 million of Assured common shares at a price per share equal to the volume weighted average price of an Assured common share on the NYSE for the 20 NYSE trading days ending with the last NYSE trading day immediately preceding the date of the closing under the stock purchase agreement, with a floor of \$6.00 and a cap of \$8.50.

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If Assured is unable to raise sufficient funds through a public offering of its equity securities in order to pay the full cash purchase price under the stock purchase agreement, Assured can exercise its option under the WLR Backstop Commitment and use the proceeds to pay the remaining portion of the cash purchase price under the stock purchase agreement.

The WLR Funds' obligations under the WLR Backstop Commitment have been secured by letters of credit issued for the benefit of Assured by Bank of America, N.A. and RBS Citizens Bank, N.A., each in the amount of \$180.5 million.

Assured has paid the WLR Funds a non-refundable commitment fee of \$10,830,000 in connection with the WLR Backstop Commitment and has agreed to pay the WLR Funds' related expenses. Assured has agreed to reimburse the WLR Funds for the \$4.1 million cost of obtaining the letters of credit referred to above.

If Assured offers Assured common shares for sale other than pursuant to the WLR Backstop Commitment to fund a portion of the purchase price under the stock purchase agreement, the WLR Funds have pre-emptive rights to purchase a portion of the Assured common shares so offered. The portion of Assured common shares which the WLR Funds are entitled to purchase under such pre-emptive right is equal to the greater of (1) 25% of the Assured common shares offered in such sale and (2) the number of Assured common shares offered in such sale that is derived by dividing \$150,000,000 by the price paid in such sale. If the sale of Assured common shares is a public offering and the managing underwriter determines that such level of participation would be detrimental to the public offering, the WLR Funds' participation will be reduced to the level recommended by the managing underwriter but in no event to below 25% of the Assured common shares offered in the public offering.

Except as otherwise specifically provided in the WLR Backstop Commitment, all of the terms set forth in the Investment Agreement applicable to Assured common shares purchased pursuant to the Investment Agreement will apply to the Assured common shares purchased pursuant to the WLR Backstop Commitment.

The WLR Backstop Commitment may be terminated by either Assured or WLR Fund IV if the closing under the stock purchase agreement does not occur by August 14, 2009 and will be automatically terminated if the stock purchase agreement is terminated. The WLR Backstop Commitment may also be terminated by the mutual agreement of Assured and WLR Fund IV or under certain other circumstances.

Opinion of Assured's Financial Advisor (see page 33)

In connection with the acquisition of FSAH, Assured's financial advisor, Banc of America Securities LLC, which we refer to in this proxy statement as "Banc of America Securities," delivered to Assured's board of directors a written opinion, dated November 14, 2008, as to the fairness, from a financial point of view and as of the date of the opinion, to Assured of the aggregate consideration of \$361 million in cash and 44,567,901 Assured common shares (valued at \$8.10 per share) to be paid by Assured to Dexia Holdings in the acquisition. The full text of the written opinion, dated November 14, 2008, of Banc of America Securities, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Appendix C to this proxy statement and is incorporated by reference in this proxy statement in its entirety. **Banc of America Securities provided its opinion to Assured's board of directors for the benefit and use of Assured's board of directors in connection with and for purposes of its evaluation of the fairness of the aggregate consideration from a financial point of view to Assured. Banc of America Securities' opinion does not address any other aspect of the transaction and does not constitute a recommendation to any shareholder as to how to vote or act in connection with the proposed transaction.**

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Interests of Certain Persons in the Transactions (see page 41)

Wilbur L. Ross, Jr., one of Assured's directors, is an affiliate of the WLR Funds. Assured has paid the WLR Funds a nonrefundable commitment fee of \$10,830,000 in connection with the option granted by the WLR Backstop Commitment and has agreed to pay the WLR Funds' expenses in connection with the transactions contemplated thereby. Assured has also agreed to reimburse the WLR Funds for the \$4.1 million cost of obtaining letters of credit to secure its obligations under the WLR Backstop Commitment. Assured has also granted the WLR Funds the pre-emptive right to purchase a portion of any Assured common shares sold to fund a portion of the purchase price under the stock purchase agreement other than pursuant to the WLR Backstop Commitment. See "The WLR Backstop Commitment."

Existing Relationship with FSA (see page 41)

AG Re has provided, and continues to provide, reinsurance to FSA with respect to risks in its financial guarantee business. As of September 30, 2008, the net par outstanding of risks ceded by FSA to AG Re was \$33.7 billion. In connection with these reinsurance arrangements, FSA pays to AG Re both upfront premiums and any installment premiums with respect to risks reinsured. The gross amounts paid by FSA to AG Re in 2007 and the nine months ended September 30, 2008 were \$58,558,890 and \$95,552,597, respectively.

Regulatory Approvals Required for the Transaction (see page 41)

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, which we refer to in this proxy statement as the "HSR Act," and the rules and regulations promulgated thereunder, certain transactions, including Assured's acquisition of FSAH, may not be consummated until required information and materials have been furnished to the Department of Justice, which we refer to in this proxy statement as the "DOJ," and the Federal Trade Commission, which we refer to in this proxy statement as the "FTC," and certain waiting period requirements have expired or been terminated. Each of Assured and Dexia filed a Pre-Merger Notification and Report Form pursuant to the HSR Act with the DOJ and the FTC.

Insurance holding company laws and regulations applicable to the insurance subsidiaries of Assured and FSAH provide that no person may acquire control of an insurance company unless such person has provided certain required information to, and such acquisition has been approved by, the appropriate insurance regulatory authorities. In accordance with these laws, Assured has filed applications with the insurance departments of the States of New York and Oklahoma and the U.K. Financial Services Authority. In addition, Assured has made pre-acquisition filings regarding the potential competitive impact of the acquisition. Dexia and the WLR Funds have filed applications with the U.K. Financial Services Authority in connection with their acquisition of Assured common shares pursuant to the stock purchase agreement and the WLR Backstop Commitment, respectively. Dexia and the WLR Funds have filed disclaimers of control with the insurance departments of the States of Maryland, New York and Oklahoma.

Material U.S. Federal Income Tax Consequences of the Transaction to Holders of Assured Common Shares (see page 43)

Assured's purchase of substantially all of the capital stock of FSAH will not result in the recognition of gain or loss by holders of Assured common shares.

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Anticipated Accounting Treatment (see page 43)

The acquisition of FSAH will be accounted for using the purchase method of accounting in accordance with accounting principles generally accepted in the United States of America under Statement of Financial Accounting Standards No. 141, *Business Combinations, as revised in 2007 (FASB 141R)*. Assured will be the acquiring entity for financial reporting purposes. Under the purchase method of accounting, the acquisition price will be allocated to the tangible and intangible assets and liabilities assumed of the acquired entity based on their estimated fair values, with any excess being recognized as goodwill. Costs of the acquisition are expensed in the period in which the expenses are incurred. Under Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, negative goodwill arising from the purchase price allocation will be immediately credited to earnings in the period in which the acquisition is closed.

No Appraisal Rights (see page 43)

Under applicable law, Assured stockholders do not have the right to an appraisal of the value of their shares in connection with the acquisition of FSAH.

Table of Contents**Comparative Historical and Pro Forma Per Share Data**

The following table presents historical per share data for Assured and FSAH; pro forma per share data for Assured after giving effect to the acquisition of FSAH; and pro forma equivalent per share data for FSAH with respect to the portion of the acquisition consideration that will be received in the form of Assured common shares. The Assured pro forma per share data was derived by combining information from the historical consolidated financial statements of Assured and FSAH using the purchase method of accounting for the acquisition of FSAH. You should read this table in conjunction with the historical audited and unaudited consolidated financial statements of Assured and FSAH that are filed with the SEC and incorporated by reference in this proxy statement. See "Where You Can Find More Information." You should not rely on the pro forma per share data as being necessarily indicative of actual results had the acquisition of FSAH occurred in the past, or of future results.

The accompanying unaudited per share data gives effect to the acquisition of FSAH assuming a purchase price of \$361 million in cash, the assumption of \$730 million of FSAH long-term notes and the issuance of up to 44,567,901 Assured common shares, using the purchase method of accounting. The pro forma adjustments related to the acquisition of FSAH are preliminary and do not reflect the final purchase price, final form of consideration paid, final debt components or final allocation of the excess of the purchase price over the net book value of the assets of FSAH, as the process to assign a fair value to the various tangible and intangible assets acquired has only just commenced. The pro forma adjustments were prepared based on current accounting principles generally accepted in the United States, which we refer to in this proxy statement as "US GAAP," for accounting for financial guaranty insurance contracts. US GAAP for financial guaranty insurance contracts will change effective January 1, 2009. Pro forma adjustments prepared for periods as of or for a period ended subsequent to January 1, 2009 will reflect the new accounting requirements and thus differ from the pro forma adjustments presented below. Final adjustments are likely to result in a materially different purchase price, debt components or allocation of the purchase price.

The pro forma per share data does not reflect revenue opportunities and cost savings that we expect to realize after the acquisition of FSAH. We cannot give you any assurance with respect to the estimated revenue opportunities and operating cost savings that are expected to be realized as a result of the acquisition of FSAH. The pro forma per share data does not reflect restructuring or exit costs that may be incurred by Assured or FSAH in connection with the acquisition of FSAH.

	Assured Historical	Assured Pro Forma(1)	FSAH Historical	FSAH Equivalent Pro Forma
Net income (loss) per share basic				
Year ended December 31, 2007	\$ (4.46)	\$ (1.69)	(2)	(2)
Nine Months ended September 30, 2008	3.59	\$ (2.08)	(2)	(2)
Net income (loss) per share diluted				
Year ended December 31, 2007	(4.46)	\$ (1.69)	(2)	(2)
Nine Months ended September 30, 2008	3.55	\$ (2.08)	(2)	(2)
Cash dividends per share				
Year ended December 31, 2007	0.160	0.160		
Nine Months ended September 30, 2008	0.135	0.135		
Book value per share as of September 30, 2008	22.98	21.05	(18.82)(3)	(4)

- (1) Assured's pro forma data includes the effect of the acquisition of FSAH and the related financing on the basis described in the notes to the unaudited pro forma combined condensed financial statements included elsewhere in this proxy statement. The pro forma adjustments reflect the

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payment of \$361 million in cash and issuance of 44,567,901 Assured common shares to Dexia Holdings. The pro forma adjustments assume funds for the \$361 million cash payment were obtained from the issuance of 30,083,333 Assured common shares to the public at a purchase price of \$12.00 per share. In the event Assured is able to sell additional Assured common shares in the offering at \$12.00 per share and exercises its option to pay Dexia Holdings \$8.10 per Assured common share in lieu of issuing 22,283,951 Assured common shares, the total number of Assured common shares outstanding on a pro forma basis would be reduced by 7,242,248 Assured common shares. In such event, Assured's pro forma book value per share as of September 30, 2008 would increase from \$21.05 to \$22.01 and its basic and diluted net loss per share for the year ended December 31, 2007 and nine months ended September 30, 2008 would change from \$(1.69) and \$(2.08), respectively, to \$(1.78) and \$(2.17), respectively. Cash dividends per share are based on Assured's historical dividend rates.

- (2) FSAH is not a publicly traded company and, accordingly, no information is presented regarding its earnings per share or equivalent pro forma earnings per share.
- (3) Book value per share for FSAH is calculated by dividing the book value of FSAH as of September 30, 2008 by 33,345,993 shares outstanding at such date (excludes 172,002 shares of treasury stock).
- (4) Equivalent book value per share of FSAH is calculated by multiplying the historical book value per share of FSAH by the exchange ratio of the number of FSAH shares to the number of Assured shares issued to consummate this transaction.

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

	Price Range of Common Shares		Dividends Paid per Common Share
	High	Low	
2006			
First Quarter	\$27.45	\$24.64	\$ 0.035
Second Quarter	26.03	23.50	0.035
Third Quarter	27.40	24.40	0.035
Fourth Quarter	27.43	24.40	0.035
2007			
First Quarter	\$28.40	\$25.90	\$ 0.040
Second Quarter	31.99	26.65	0.040
Third Quarter	30.22	21.32	0.040
Fourth Quarter	29.46	13.34	0.040
2008			
First Quarter	\$26.98	\$16.53	\$ 0.045
Second Quarter	27.58	17.94	0.045
Third Quarter	20.64	7.95	0.045
Fourth Quarter (through December 22, 2008)	15.12	5.49	0.045

The closing price of the Assured common shares on the NYSE on December 22, 2008 was \$10.93.

As of _____, 2009, there were _____ holders of record of the Assured common shares. This number excludes beneficial owners of Assured common shares held in "street name."

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Summary Historical Consolidated Financial Data of FSAH

The following table sets forth summary historical consolidated financial data for FSAH. The audited financial data have been derived from FSAH's audited financial statements. The interim financial data have been derived from FSAH's unaudited financial statements and include, in the opinion of FSAH's management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial data. The results for the nine-month periods do not necessarily indicate the results to be expected for the full year. You should read the following information in conjunction with FSAH's financial statements and notes thereto and the other financial information included or incorporated by reference in this proxy statement.

Reclassification

Effective with the quarter ended March 31, 2008, FSAH reclassified the revenues, expenses and balance sheet items associated with financial guaranty contracts that its financial guaranty subsidiaries write in the form of credit default swaps, which we refer to in this proxy statement as "CDS," contracts. The reclassification does not change FSAH's net income (loss) or shareholder's equity. This reclassification is being adopted by FSAH after agreement with member companies of the Association of Financial Guaranty Insurers in consultation with the staffs of the Office of the Chief Accountant and the Division of Corporate Finance of the SEC. The reclassification is being implemented in order to increase comparability of FSAH's financial statements with other financial guaranty companies that have CDS contracts.

In general, FSAH structures credit derivative transactions such that the method for making loss payments is similar to that for financial guaranty policies and generally occurs as losses are realized on the underlying reference obligation. Nonetheless, credit derivative transactions are governed by International Swaps and Derivatives Association, Inc. documentation and operates differently from financial guaranty insurance policies. Under US GAAP, CDS contracts are subject to derivative accounting rules and financial guaranty policies are subject to insurance accounting rules.

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In the "Summary of Operations" data below, FSAH has reclassified CDS revenues from "net earned premiums" to "realized gains and other settlements on credit derivatives."

	Nine Months Ended September 30,		Year Ended December 31,				
	2008	2007	2007	2006	2005	2004	2003
(dollars in millions, except per share amounts)							
Summary of Operations:							
Revenue							
Net premiums earned	\$ 280.9	\$ 232.1	\$ 317.8	\$ 301.5	\$ 314.9	\$ 325.9	\$ 298.7
Net investment income from general investment portfolio	199.3	176.3	236.7	218.9	200.8	172.1	154.0
Net interest income from financial products segment	523.5	800.0	1,079.6	858.2	487.9	194.7	89.1
Realized gains (losses) and other settlements on credit derivatives	98.8	72.4	102.8	87.2	89.2	69.1	57.7
Net unrealized (losses) gains on credit derivatives	(467.9)	(352.5)	(642.6)	31.8	11.1	56.4	34.8
Net realized and unrealized gains (losses) on derivative instruments	181.7	(11.3)	62.8	131.4	(183.6)	272.9	192.6
Expenses							
Losses and loss adjustment expenses	1,230.9	19.1	31.6	23.3	25.4	20.6	34.5
Foreign exchange (gains) losses from financial products segment	1.1	44.0	138.5	159.4	(189.8)	91.3	118.3
Net interest expense from financial products segment	608.5	750.1	989.2	768.7	491.6	267.6	137.1
Net (loss) income	\$ (1,085.6)	\$ 26.2	\$ (65.7)	\$ 424.2	\$ 326.1	\$ 378.6	\$ 298.1
Balance Sheet Data (at end of period)							
Assets							
General investment portfolio	\$ 5,841.6	\$ 5,040.7	\$ 5,191.9	\$ 4,872.4	\$ 4,595.5	\$ 4,281.8	\$ 3,733.1
Financial products segment investment portfolio	13,108.0	19,607.0	19,213.2	17,537.1	14,002.0	9,546.7	5,760.1
Assets acquired in refinancing transactions	184.7	265.0	229.3	337.9	467.9	749.2	507.0
Total assets	25,048.7	27,704.4	28,331.5	25,774.1	22,001.6	17,081.0	12,407.6
Liabilities, minority interest, and shareholders' equity							
Deferred premium revenue	3,150.3	2,794.7	2,870.7	2,653.3	2,375.1	2,095.4	1,845.0
Losses and loss adjustment expense reserve	1,249.5	245.6	274.6	228.1	205.7	179.9	233.4
Financial products segment debt	18,707.8	20,531.0	21,400.2	18,349.7	14,947.1	10,444.1	6,639.4
Notes payable	730.0	730.0	730.0	730.0	430.0	430.0	430.0
Common shareholders' equity	(627.4)	2,312.5	1,577.8	2,722.3	2,822.9	2,611.3	2,219.2

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Summary Historical Consolidated Financial Data of Assured

The following table sets forth summary historical consolidated financial data for Assured. The audited financial data have been derived from Assured's audited financial statements. The interim financial data have been derived from Assured's unaudited financial statements and include, in the opinion of Assured's management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial data. The results for the nine-month periods do not necessarily indicate the results to be expected for the full year. You should read the following information in conjunction with Assured's financial statements and notes thereto and the other financial information included or incorporated by reference in this proxy statement.

Reclassification

Effective with the quarter ended March 31, 2008, Assured reclassified the revenues, expenses and balance sheet items associated with financial guaranty contracts that our financial guaranty subsidiaries write in the form of CDS contracts. The reclassification does not change our net income (loss) or shareholder's equity. This reclassification is being adopted by Assured after agreement with member companies of the Association of Financial Guaranty Insurers in consultation with the staffs of the Office of the Chief Accountant and the Division of Corporate Finance of the SEC. The reclassification is being implemented in order to increase comparability of our financial statements with other financial guaranty companies that have CDS contracts.

In general, Assured structures credit derivative transactions such that the method for making loss payments is similar to that for financial guaranty policies and generally occurs as losses are realized on the underlying reference obligation. Nonetheless, credit derivative transactions are governed by International Swaps and Derivatives Association, Inc. documentation and operates differently from financial guaranty insurance policies. Under US GAAP, CDS contracts are subject to derivative accounting rules and financial guaranty policies are subject to insurance accounting rules.

In the "Statement of Operations Data" below, Assured has reclassified CDS revenues from "net earned premiums" to "realized gains and other settlements on credit derivatives." Loss and loss adjustment expenses and recoveries that were previously included in "loss and loss adjustment expenses (recoveries)" have been reclassified to "realized gains and other settlements on credit derivatives," as well. Portfolio and case loss and loss adjustment expenses have been reclassified from "loss and loss adjustment expenses (recoveries)" and are included in "unrealized gains (losses) on credit derivatives," which previously included only unrealized mark to market gains or losses on Assured's contracts written in CDS form. In the consolidated balance sheet, Assured reclassified all CDS-related balances previously included in "unearned premium reserves," "reserves for losses and loss adjustment expenses," "prepaid reinsurance premiums," "premiums receivable" and "reinsurance balances payable" to either "credit derivative liabilities" or "credit derivative assets," depending on the net position of the CDS contract at each balance sheet date.

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These reclassifications had no impact on net income (loss), comprehensive income (loss), earnings (loss) per share, cash flows or total shareholders' equity.