

ATHENA SILVER CORP
Form 10-Q
May 08, 2014

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

FORM 10-Q

**QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF
1934**

For the quarterly period ended March 31, 2014

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

For the transition period from _____ to _____

Commission file number: 000-51808

ATHENA SILVER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or
organization)

2010A Harbison Drive #312, Vacaville, CA

(Address of principal executive offices)

25-1909408

(IRS Employer Identification Number)

95687

(Zip Code)

Registrant's telephone number, including area code: **(707) 884-3766**

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

On May 6, 2014, there were 36,002,320 shares of the registrant's common stock, \$.0001 par value, outstanding.

PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****ATHENA SILVER CORPORATION**
(An Exploration Stage Company)**CONSOLIDATED BALANCE SHEETS**

	March 31, 2014 (unaudited)	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,631	\$ 16,934
Prepaid expenses	300	-
Total current assets	3,931	16,934
Mineral rights and properties - unproven	1,712,214	1,689,297
Total assets	\$ 1,716,145	\$ 1,706,231
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 76,846	\$ 70,195
Accrued liabilities	4,167	71,250
Due to related parties	63,226	50,735
Derivative warrant liability	40,400	17,500
Convertible notes payable - related parties	1,110,000	990,000
Total current liabilities	1,294,639	1,199,680
Commitments and contingencies	-	-
Shareholders' equity:		
Preferred stock, \$.0001 par value, 5,000,000 shares authorized, none outstanding	-	-
Common stock - \$.0001 par value; 100,000,000 shares authorized, 36,002,320 issued and outstanding	3,600	3,600
Additional paid-in capital	6,580,048	6,580,048
Accumulated deficit - prior to exploration stage	(3,601,431)	(3,601,431)
Accumulated deficit - exploration stage	(2,560,711)	(2,475,666)
Total shareholders' equity	421,506	506,551

Total liabilities and shareholders' equity	\$	1,716,145	\$	1,706,231
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See notes to unaudited condensed consolidated interim financial statements.

ATHENA SILVER CORPORATION
(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended March 31,		Inception (January 1, 2010) through March 31, 2014
	2014	2013	
Operating expenses:			
Exploration costs	\$ 463	\$ 34,455	\$ 889,348
Other operating costs	-	340	113,272
General and administrative expenses	49,191	40,235	1,174,300
Total operating expenses	49,654	75,030	2,176,920
Operating loss	(49,654)	(75,030)	(2,176,920)
Other income (expense):			
Interest expense	(12,491)	(8,140)	(78,057)
Change in fair value of warrant liability	(22,900)	14,866	(4,507)
Loss on extinguishment of debt and accounts payable - related parties, net	-	-	(236,741)
Other income	-	1	980
Total other income (expense)	(35,391)	6,727	(318,325)
Loss from continuing operations	(85,045)	(68,303)	(2,495,245)
Net loss from discontinued operations	-	-	(65,466)
Net loss	\$ (85,045)	\$ (68,303)	\$ (2,560,711)
Basic and diluted net loss per common share			
Basic and diluted net loss per share from continuing operations	\$ (0.00)	\$ (0.00)	
Basic and diluted net loss per common share	\$ (0.00)	\$ (0.00)	
Basic and diluted weighted-average common shares outstanding	36,002,320	35,446,764	

See notes to unaudited condensed consolidated interim financial statements.

ATHENA SILVER CORPORATION
(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three Months Ended March 31,		Inception of
	2014	2013	Exploration
			Stage (January
			1, 2010)
			through
			March 31, 2014
			\$
Cash flows from operating activities:			
Net loss	\$ (85,045)	\$ (68,303)	(2,560,711)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of deferred financing costs	-	-	5,000
Share-based compensation expense	-	-	209,773
Common stock and warrants issued for services	-	-	53,700
Derivative warrants issued for services	-	-	35,793
Change in fair value of derivative warrant liability	22,900	(14,866)	4,507
Loss on extinguishment of debt - related parties	-	-	237,366
Gain on extinguishment of accounts payable	-	-	(625)
Loss on sale of discontinued operations	-	-	9,892
Changes in operating assets and liabilities:			
Account receivable	-	-	11,104
Prepaid expenses	(300)	30,831	700
Inventory	-	-	46,385
Other assets	-	-	11,036
Accounts payable	6,651	(37,080)	135,320
Accrued liabilities and other liabilities	12,491	11,850	130,758
Net cash used in operating activities	(43,303)	(77,568)	(1,670,002)

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See notes to unaudited condensed consolidated interim financial statements.

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ATHENA SILVER CORPORATION
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three Months Ended March 31,		Inception of Exploration Stage (January 1, 2010) through March 31, 2014
	2014	2013	
Cash flows from investing activities:			
Acquisition of mineral rights	(90,000)	(205,000)	(793,098)
Investment in nonmarketable equity securities	-	-	(7,348)
Cash used in disposition of fixed assets, intangibles and other	-	-	(82)
Net cash used in investing activities	(90,000)	(205,000)	(800,528)
Cash flows from financing activities:			
Net change in advances payable - related parties	-	(1,000)	(13,295)
Borrowings from notes payable - related parties	120,000	275,000	1,420,000
Repayments of notes payable - related parties	-	-	(38,750)
Proceeds from sale of common stock, net	-	-	1,106,206
Net cash provided by financing activities	120,000	274,000	2,474,161
Net increase (decrease) in cash	(13,303)	(8,568)	3,631
Cash at beginning of period	16,934	12,229	-
Cash at end of period	\$ 3,631	\$ 3,661	\$ 3,631
Supplemental disclosure of cash flow information			
		\$	
Cash paid for interest	\$ -	-	\$ 6,714
		\$	\$
Cash paid for income taxes	\$ -	-	-
Supplemental disclosure of non-cash investing and financing activities:			
	\$ (67,083)		

Increase (decrease) in accrued liabilities applicable to mineral rights		\$ (59,583)	\$ 4,167
Common stock issued for mineral rights	\$ -	\$ 340,000	\$ 924,653

year deficits in earnings and profits. Each Insurance Subsidiary intends to operate in a manner that is intended to ensure that it qualifies for either the 20% Gross Income Exception or 20% Ownership Exception.

Computation of RPII. For any year in which an Insurance Subsidiary does not meet the 20% Ownership Exception or the 20% Gross Income Exception, Assured Guaranty may also seek information from its shareholders as to whether beneficial owners of shares at the end of the year are U.S. Persons so that the RPII may be determined and apportioned among such persons; to the extent Assured Guaranty is unable to determine whether a beneficial owner of shares is a U.S. Person, Assured Guaranty may assume that such owner is not a U.S. Person, thereby increasing the per share RPII amount for all known RPII shareholders. The amount of RPII includable in the income of a RPII shareholder is based upon the net RPII income for the year after deducting related expenses such as losses, loss reserves and operating expenses. If an Insurance Subsidiary meets the 20% Ownership Exception or the 20% Gross Income Exception, RPII shareholders will not be required to include RPII in their taxable income.

Apportionment of RPII to U.S.

Persons. Every RPII shareholder who owns common shares on the last day of any taxable year of Assured Guaranty in which an Insurance Subsidiary does not meet the 20% Ownership Exception or the 20% Gross Income Exception should expect that for such year it will be required to include in gross income its share of an Insurance Subsidiary's RPII for the portion of the taxable year during which that Insurance Subsidiary was a CFC under the RPII provisions, whether or not distributed, even though it may not have owned the shares throughout such period. A RPII

shareholder who owns common shares during such taxable year but not on the last day of the taxable year is not required to include in gross income any part of AG Re's RPII.

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Basis Adjustments. A RPII shareholder's tax basis in its common shares will be increased by the amount of any RPII that the shareholder includes in income. The RPII shareholder may exclude from income the amount of any distributions by Assured Guaranty out of previously taxed RPII income. The RPII shareholder's tax basis in its common shares will be reduced by the amount of such distributions that are excluded from income.

Uncertainty as to Application of RPII. The RPII provisions have never been interpreted by the courts or the Treasury Department in final Treasury regulations, and Treasury regulations interpreting the RPII provisions of the Code exist only in proposed form. It is not certain whether these Treasury regulations will be adopted in their proposed form or what changes or clarifications might ultimately be made thereto or whether any such changes, as well as any interpretation or application of the RPII rules by the IRS, the courts or otherwise, might have retroactive effect. These provisions include the grant of authority to the Treasury Department to prescribe "such regulations as may be necessary to carry out the purpose of this subsection including . . . regulations preventing the avoidance of this subsection through cross insurance arrangements or otherwise." Accordingly, the meaning of the RPII provisions and the application thereof to Assured Guaranty and the Issuance Subsidiaries is uncertain. In addition, we cannot be certain that the amount of RPII or the amounts of the RPII inclusions for any particular RPII shareholder, if any, will not be subject to adjustment based upon subsequent IRS examination. Any prospective investor considering an investment in our common shares should consult his tax advisor as to the effects of these uncertainties.

Tax-Exempt Shareholders. Tax-exempt entities will be required to treat certain subpart F insurance income, including RPII, that is includible in income by the tax-exempt entity as unrelated business taxable income. Prospective investors

that are tax exempt entities are urged to consult their tax advisors as to the potential impact of the unrelated business taxable income provisions of the Code. A tax-exempt organization that is treated as a 10% U.S. Shareholder or a RPII Shareholder also must file IRS Form 5471 in certain circumstances. See below " Information Reporting and Backup Withholding."

Dispositions of our

Shares. Subject to the discussions below relating to the potential application of the Code section 1248 and PFIC rules, holders of our common shares generally should recognize capital gain or loss for U.S. federal income tax purposes on the sale, exchange or other disposition of common shares in the same manner as on the sale, exchange or other disposition of any other shares of stock held as capital assets. If the holding period for these common shares exceeds one year, any gain will be subject to tax at a current maximum marginal tax rate of 15% for individuals (subject to increase in 2011 without Congressional action) and 35% for corporations. Moreover, gain, if any, generally will be a U.S. source gain and generally will constitute "passive income" for foreign tax credit limitation purposes.

Code section 1248 provides that if a U.S. Person sells or exchanges stock in a foreign corporation and such person owned, directly, indirectly through certain foreign entities or constructively, 10% or more of the voting power of the corporation at any time during the five-year period ending on the date of disposition when the corporation was a CFC, any gain from the sale or exchange of the shares will be treated as a dividend to the extent of the CFC's earnings and profits (determined under U.S. federal income tax principles) during the period that the shareholder held the shares and while the corporation was a CFC (with certain adjustments). We believe that because of the anticipated dispersion of our share ownership, provisions in our organizational documents that limit voting power and other factors that no U.S. Person that owns shares (directly or indirectly through foreign entities) of Assured Guaranty should be treated as owning (directly, indirectly through

foreign entities or constructively) 10% of more of the total voting power of Assured Guaranty; to the extent this is the case this application of Code Section 1248 under the regular CFC rules should not apply to dispositions of our common shares. It is possible, however, that the IRS could challenge the effectiveness of these

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provisions and that a court could sustain such a challenge. A 10% U.S. Shareholder may in certain circumstances be required to report a disposition of shares of a CFC by attaching IRS Form 5471 to the U.S. federal income tax or information return that it would normally file for the taxable year in which the disposition occurs. In the event this is determined necessary, Assured Guaranty will provide a completed IRS Form 5471 or the relevant information necessary to complete the Form. Code section 1248 in conjunction with the RPII rules also applies to the sale or exchange of shares in a foreign corporation if the foreign corporation would be treated as a CFC for RPII purposes regardless of whether the shareholder is a 10% U.S. Shareholder or the 20% Ownership Exception or 20% Gross Income Exception applies. Existing proposed regulations do not address whether Code section 1248 would apply if a foreign corporation is not a CFC but the foreign corporation has a subsidiary that is a CFC and that would be taxed as an insurance company if it were a domestic corporation. We believe, however, that this application of Code section 1248 under the RPII rules should not apply to dispositions of our shares because Assured Guaranty will not be directly engaged in the insurance business. We cannot be certain, however, that the IRS will not interpret the proposed regulations in a contrary manner or that the Treasury Department will not amend the proposed regulations to provide that these rules would apply to dispositions of our shares. Prospective investors should consult their tax advisors regarding the effects of these rules on a disposition of common shares.

Passive Foreign Investment Companies. In general, a foreign corporation will be a PFIC during a given year if (i) 75% or more of its gross income constitutes "passive income" (the 75% test) or (ii) 50% or more of its assets produce passive income (the 50% test).

If Assured Guaranty were characterized as a PFIC during a given year, each U.S. Person holding our shares would be subject to a penalty tax at the time of the sale at a gain of, or receipt of an "excess distribution" with respect to, their shares, unless such person (i) is a 10% U.S. Shareholder and we are a CFC or (ii) made a "qualified electing fund election" or "mark-to-market" election. It is uncertain that Assured Guaranty would be able to provide its shareholders with the information necessary for a U.S. Person to make a qualified electing fund election. In addition, if Assured Guaranty were considered a PFIC, upon the death of any U.S. individual owning common shares, such individual's heirs or estate would not be entitled to a "step-up" in the basis of the common shares that might otherwise be available under U.S. federal income tax laws. In general, a shareholder receives an "excess distribution" if the amount of the distribution is more than 125% of the average distribution with respect to the shares during the three preceding taxable years (or shorter period during which the taxpayer held the shares). In general, the penalty tax is equivalent to an interest charge on taxes that are deemed due during the period the shareholder owned the shares, computed by assuming that the excess distribution or gain (in the case of a sale) with respect to the shares was taken in equal portion at the highest applicable tax rate on ordinary income throughout the shareholder's period of ownership. The interest charge is equal to the applicable rate imposed on underpayments of U.S. federal income tax for such period. In addition, a distribution paid by Assured Guaranty to U.S. shareholders that is characterized as a dividend and is not characterized as an excess distribution would not be eligible for reduced rates of tax as qualified dividend income with respect to dividends paid before 2011.

For the above purposes, passive income generally includes interest, dividends, annuities and other investment income. The PFIC rules provide that income "derived in the active conduct of an insurance business by a corporation which is predominantly engaged in an insurance business . . . is not treated as passive

income." The insurance income exception is intended to ensure that income derived by a bona fide insurance company is not treated as passive income, except to the extent such income is attributable to financial reserves in excess of the reasonable needs of the insurance business. The PFIC provisions also contain a look-through rule under which a foreign corporation shall be treated as if it "received directly its proportionate share of the income" and as if it "held its proportionate share of the assets" of any other corporation in which it owns at least 25% of the value of the stock.

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We expect for purposes of the PFIC rules, that each of our U.S. and foreign insurance subsidiaries will be predominantly engaged in an insurance business and is unlikely to have financial reserves in excess of the reasonable needs of its insurance business in each year of operations. Accordingly, none of the income or assets of our insurance subsidiaries should be treated as passive. Further, we expect that in each year of operations the passive income and assets of our non-insurance subsidiaries will not exceed the 75% test or 50% test amounts in each year of operations with respect to the overall income and assets of Assured Guaranty and its subsidiaries. Under the look-through rule, Assured Guaranty should be deemed to own its proportionate share of the assets and to have received its proportionate share of the income of its direct and indirect subsidiaries for purposes of the 75% test and the 50% test. As a result, we believe that Assured Guaranty was not and should not be treated as a PFIC. We cannot be certain, however, as there are currently no regulations regarding the application of the PFIC provisions to an insurance company and new regulations or pronouncements interpreting or clarifying these rules may be forthcoming, that the IRS will not successfully challenge this position. Prospective investors should consult their tax advisor as to the effects of the PFIC rules.

Foreign tax credit. If U.S. Persons own a majority of our common shares, it is possible that only a portion of the current income inclusions, if any, under the CFC, RPII and PFIC rules and of dividends paid by us (including any gain from the sale of common shares that is treated as a dividend under section 1248 of the Code) will be treated as foreign source income for purposes of computing a shareholder's U.S. foreign tax credit limitations. It is uncertain that Assured Guaranty will be able to provide shareholders with information regarding the portion of such amounts constituting foreign source income to the extent such information is reasonably available. It is also likely that substantially all of the "subpart F income," RPII and dividends

that are foreign source income will constitute either "passive" or "general" income. Due to limitations on the use of foreign tax credits, it may not be possible for shareholders to utilize all of the excess foreign tax credits to reduce U.S. tax on income from Assured Guaranty.

U.S. Federal Income Taxation of foreign persons Owning Common Shares. A foreign person owning common shares generally will not be subject to any U.S. federal income or withholding taxes with respect to any gain derived from the sale, exchange, or other disposition of, or any distributions received in respect of, the common shares, unless (i) such gain or distributions are effectively connected with the conduct by the foreign person of a trade or business within the United States (and, if a tax treaty applies, is attributable to a permanent establishment in the United States), or (ii) in the case of gain, the foreign person is an individual who is physically present in the United States for 183 days or more in the relevant taxable year (or certain other conditions are met). Foreign persons may be subject to backup withholding under certain circumstances (see "Information Reporting and Backup Withholding").

Information Reporting and Backup Withholding. Under certain circumstances, U.S. Persons owning shares (directly, indirectly or constructively) in a foreign corporation are required to file IRS Form 5471 with their U.S. federal income tax returns. Generally, information reporting on IRS Form 5471 is required by (i) a person who is treated as a RPII shareholder, (ii) a 10% U.S. Shareholder of a foreign corporation that is a CFC for an uninterrupted period of 30 days or more during any tax year of the foreign corporation, and who owned the stock on the last day of that year and (iii) under certain circumstances, a U.S. Person who acquires stock in a foreign corporation and as a result thereof owns 10% or more of the voting power or value of such foreign corporation, whether or not such foreign corporation is a CFC. For any taxable year we determine that the 20% Gross Income Exception and the 20% Ownership Exception do not apply, we will provide to all U.S.

Persons registered as shareholders of our common shares a completed IRS Form 5471 or the relevant information necessary to complete the form. Failure to file IRS Form 5471 may result in penalties.

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Information returns may be filed with the IRS in connection with distributions on our common shares and the proceeds from a sale or other disposition of our common shares unless the holder of the common shares establishes an exemption from the information reporting rules. A holder of common shares that does not establish such an exemption may be subject to U.S. backup withholding tax on these payments if the holder is not a corporation or non-U.S. Person or fails to provide its taxpayer identification number or otherwise comply with the backup withholding rules. The amount of any backup withholding from a payment to a U.S. Person will be allowed as a credit against the U.S. Person's U.S. federal income tax liability and may entitle the U.S. Person to a refund, provided that the required information is furnished to the IRS.

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

Additionally, the tax laws and interpretations regarding whether a company is engaged in a U.S. trade or business or whether a company is a CFC or a PFIC or has RPII are subject to change, possibly on a retroactive basis. There are currently no regulations regarding the application of the PFIC rules to an insurance company. Additionally, the regulations regarding RPII are still in proposed form. New Treasury regulations or pronouncements interpreting or clarifying such rules may be forthcoming. We cannot be certain if, when or in what form such regulations

or pronouncements may be provided and whether such guidance will have a retroactive effect.

Bermuda Taxation

Taxation of Assured Guaranty and its Bermuda Subsidiaries

Under current Bermuda law, there is no Bermuda income, corporate or profits tax or withholding tax, capital gains tax or capital transfer tax payable by Assured Guaranty or by AG Re, AGRO and FSA Bermuda, our "Bermuda Subsidiaries". Assured Guaranty and the Bermuda Subsidiaries have each obtained from the Minister of Finance under the Exempted Undertakings Tax Protection Act 1966, as amended, an assurance that, in the event that Bermuda enacts legislation imposing tax computed on profits, income, any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance, then the imposition of any such tax shall not be applicable to Assured Guaranty or the Bermuda Subsidiaries or to any of their operations or their shares, debentures or other obligations, until March 28, 2016. This assurance is subject to the proviso that it is not to be construed so as to prevent the application of any tax or duty to such persons as are ordinarily resident in Bermuda, or to prevent the application of any tax payable in accordance with the provisions of the Land Tax Act 1967 or otherwise payable in relation to any land leased to Assured Guaranty or the Bermuda Subsidiaries (as the case may be). Assured Guaranty and the Bermuda Subsidiaries each pay annual Bermuda government fees; and the Bermuda Subsidiaries pay annual insurance license fees. In addition, all entities employing individuals in Bermuda are required to pay a payroll tax and there are other sundry taxes payable, directly or indirectly, to the Bermuda government.

Taxation of Shareholders

Currently, there is no Bermuda withholding or other tax payable on dividends paid to the holders of our common shares.

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SELLING SHAREHOLDERS

The selling shareholders will be identified in supplements hereto.

PLAN OF DISTRIBUTION

The selling shareholders may offer and sell, from time to time, some or all of the common shares covered by this prospectus. We have registered the common shares covered by this prospectus for offer and sale so that those common shares may be freely sold to the public by the selling shareholders. Registration of the common shares covered by this prospectus does not mean, however, that those common shares necessarily will be offered or sold. We will not receive any proceeds from any sale by the selling shareholders of the securities. See "Use of Proceeds." We will pay all costs, expenses and fees in connection with the registration of the common shares, including fees of our counsel and accountants, fees payable to the SEC and listing fees. The selling shareholders will pay all underwriting discounts and commissions and similar selling expenses, if any, attributable to the sale of the common shares covered by this prospectus.

The selling shareholders may sell the common shares covered by this prospectus from time to time, at market prices prevailing at the time of sale, at prices related to market prices, at a fixed price or prices subject to change or at negotiated prices, by a variety of methods including the following:

in privately
negotiated
transactions;

through
broker-dealers, who
may act as agents or
principals;

in a block trade in which a broker-dealer will attempt to sell a block of common shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;

through one or more underwriters on a firm commitment or best-efforts basis;

directly to one or more purchasers;

in short sales;

through the writing of options on the common shares;

through agents; or

in any combination of the above.

In effecting sales, brokers or dealers engaged by the selling shareholders may arrange for other brokers or dealers to participate. Broker-dealer transactions may include:

purchases of the common shares by a broker-dealer as principal and resales of the common shares by the broker-dealer for its account pursuant to this prospectus;

ordinary brokerage transactions; or

transactions in
which the
broker-dealer
solicits purchasers.

At any time a particular offer of the common shares covered by this prospectus is made, a revised prospectus or prospectus supplement, if required, will be distributed which will set forth the aggregate amount of common shares covered by this prospectus being offered and the terms of the offering, including the name or names of any underwriters, dealers, brokers or agents, any discounts, commissions, concessions and other items constituting compensation from the selling shareholders and any discounts, commissions or concessions allowed or reallocated or paid to dealers. Such prospectus supplement, and, if necessary, a post-effective amendment to the registration statement of which this prospectus is a part, will be filed with the SEC to reflect the disclosure of additional information with respect to the distribution of the common shares covered by this prospectus.

In connection with the sale of the common shares covered by this prospectus through underwriters, underwriters may receive compensation in the form of underwriting discounts or commissions and may

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also receive commissions from purchasers of common shares for whom they may act as agent. Underwriters may sell to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agent.

Any underwriters, broker-dealers or agents participating in the distribution of the common shares covered by this prospectus may be deemed to be "underwriters" within the meaning of the Securities Act of 1933, and any commissions received by any of those underwriters, broker-dealers or agents may be deemed to be underwriting commissions under the Securities Act.

Some of the common shares covered by this prospectus may be sold in private transactions or under Rule 144 under the Securities Act rather than pursuant to this prospectus.

EXPERTS

The financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this prospectus by reference to our Annual Report on Form 10-K for the year ended December 31, 2008 have been so incorporated in reliance on the reports of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in accounting and auditing.

The financial statements of Financial Security Assurance Holdings Ltd. ("FSAH") incorporated in this prospectus by reference to our Current Report on Form 8-K for July 1, 2009 have been so incorporated in reliance on the reports of

PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in accounting and auditing.

LEGAL MATTERS

Certain matters as to Bermuda law will be passed upon for us by Conyers Dill & Pearman, Hamilton, Bermuda. Certain matters as to U.S. law in connection with this offering will be passed upon for us by Mayer Brown LLP, Chicago, Illinois.

ENFORCEABILITY OF CIVIL LIABILITIES UNDER UNITED STATES FEDERAL SECURITIES LAWS AND OTHER MATTERS

We are organized under the laws of Bermuda. In addition, some of our directors and officers reside outside the United States, and a portion of their assets and our assets are or may be located in jurisdictions outside the United States. Therefore, it may be difficult for investors to effect service of process within the United States upon Assured Guaranty or its non-U.S. directors and officers or to recover against us, or our non-U.S. directors and officers on judgments of U.S. courts, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws. Further, no claim may be brought in Bermuda against us or our directors and officers in the first instance for violation of U.S. federal securities laws because these laws have no extraterritorial jurisdiction under Bermuda law and do not have force of law in Bermuda. A Bermuda court may, however, impose civil liability, including the possibility of monetary damages, on us or our directors and officers if the facts alleged in a complaint constitute or give rise to a cause of action under Bermuda law. However, we may be served with process in the United States with respect to actions against us arising out of or in connection with violations of U.S. federal securities laws relating to offers and sales of common shares made hereby by serving our U.S. agent irrevocably appointed for that purpose.

We have been advised by Conyers Dill & Pearman, our special Bermuda counsel, that there is doubt as to whether the courts of Bermuda would enforce judgments of U.S. courts obtained in actions against us or our directors and officers, as well as the experts named herein, predicated upon the civil liability provisions of the U.S. federal securities laws or original actions brought in Bermuda against us

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or such persons predicated solely upon U.S. federal securities laws. A Bermuda court would likely enforce a final and conclusive judgment in personam, which means a judgment against a specific person rather than against specific property, obtained in a court in the United States under which a sum of money is payable, other than a sum of money payable in respect of multiple damages, taxes or other charges of a similar nature or in respect of a fine or other penalty, provided that the Bermuda court was satisfied that each of the following conditions were met:

the U.S. court had proper jurisdiction over the parties subject to such judgment;

the U.S. court did not contravene the rules of natural justice of Bermuda;

the judgment of the U.S. court was not obtained by fraud;

the enforcement of the judgment would not be contrary to the public policy of Bermuda;

no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of Bermuda;
and

there is due compliance with the correct procedures

under the laws of
Bermuda.

Further, we have been advised by Conyers Dill & Pearman that there is no treaty in effect between the United States and Bermuda providing for the enforcement of judgments of U.S. courts, and there are grounds upon which Bermuda courts may not enforce judgments of U.S. courts. Some remedies available under the laws of U.S. jurisdictions, including some remedies available under the U.S. federal securities laws, may not be allowed in Bermuda courts as contrary to that jurisdiction's public policy. Because judgments of U.S. courts are not automatically enforceable in Bermuda, it may be difficult for you to recover against us based upon such judgments.

WHERE YOU CAN FIND MORE INFORMATION

Assured Guaranty files annual, quarterly and special reports, proxy statements and other information with the SEC. Assured Guaranty's filings are available to the public over the Internet at the SEC's website at <http://www.sec.gov>. You may read and copy any document we file in the SEC's Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of this information by mail from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the SEC's Public Reference Room in Washington, D.C. by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website that contains reports, proxy statements and other information about issuers, like Assured Guaranty, that file electronically with the SEC. The address of that site is <http://www.sec.gov>. The SEC file number for documents Assured Guaranty files under the Exchange Act is 001-32141. Assured Guaranty's SEC filings are also available at the office of the New York Stock Exchange, 20 Broad Street, New York, New York 10005. For further information on obtaining copies of our public filings at

the NYSE, you should call
(212) 656-5060.

Assured Guaranty is allowed to "incorporate by reference" information filed with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that Assured Guaranty files subsequently with the SEC will automatically update and supersede the information included and/or incorporated by reference in this prospectus. Assured Guaranty incorporates by reference the documents listed below and any future filings made by it with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the initial filing of the registration statement that contains this prospectus and prior to the time that Assured Guaranty sells all of the securities offered by this prospectus:

Annual Report on
Form 10-K for the
year ended
December 31,
2008;

Quarterly Reports
on Form 10-Q for
the quarter ended
March 31, 2009;

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Current Reports on
Form 8-K filed on
March 30, 2009,
June 11, 2009,
June 12, 2009,
June 23, 2009 and
July 8, 2009; and

The description of
Assured Guaranty's
common shares
contained in the
Registration
Statement on
Form 8-A, dated
April 15, 2004,
filed with the SEC
under Section 12(b)
of the Exchange
Act.

You may request a copy of these filings, other than exhibits unless that exhibit is specifically incorporated by reference into that filing, at no cost, by writing or telephoning us at the following address:

Assured Guaranty SEC Filings:
Investor Relations
Assured Guaranty Ltd.
30 Woodbourne Avenue
Hamilton HM 08 Bermuda
Telephone: (441) 296-4004
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PART II
INFORMATION NOT REQUIRED
IN PROSPECTUS

ITEM 14. OTHER EXPENSES
OF ISSUANCE AND
DISTRIBUTION.

The following table sets forth the estimated expenses in connection with the registration and sale of the shares registered hereby, all of which will be paid by the registrant, except as noted in the prospectus:

SEC Registration Fee	\$ 33,200(1)(2)
Accounting fees and expenses	6,000(2)
Legal fees and expenses	70,000(2)
Printing fees	25,000(2)
Miscellaneous fees and expenses	15,800(2)
 Total	 \$ 150,000(2)

(1) Plus amounts deferred in accordance with Rules 456(b) and 457(r).

(2) Estimated.

ITEM 15. INDEMNIFICATION
OF DIRECTORS AND OFFICERS.

Bye-law 30 of Registrant's Bye-Laws provides, among other things, that the directors, secretary, other officers (such term to include for purposes of Bye-laws 30 and 31 any person appointed to any committee by the board of directors and any person who is or was serving the request of Registrant as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) and the resident representative for the time being acting in relation to any of the affairs of Registrant and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of Registrant and every one of them, and their heirs, executors and

administrators: (i) shall be indemnified and secured harmless out of the assets of Registrant from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their heirs, executors or administrators shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, or in their respective offices or trusts, and none of them shall be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to Registrant shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to Registrant shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto, provided that this indemnity shall not extend to any matter in respect of fraud or dishonesty; (ii) shall not be liable for the acts, receipts, neglects or defaults of any other director or officer or other person, or for any loss or expense incurred by Registrant through the insufficiency or deficiency of title to any property acquired by the board of directors for or on behalf of Registrant, or for the insufficiency or deficiency of any security in or upon which any of the monies of Registrant is invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any monies, securities or effects is deposited, or for any loss occasioned by any error of judgment, omission, default or oversight on his or her part, or for any other loss, damage or misfortune whatever which shall happen in relation to the execution of the duties of his or her office, or in relation thereto, unless the same happens through fraud or dishonesty on his or her part; and (iii) shall be indemnified out of the assets of Registrant against all liabilities, losses, costs and expenses which he or she or any of his or her heirs, executors or administrators, incur or may incur or sustain, by or by reason of any act, by such person, or other person or a collective of persons

(including, without limitation, the board
of directors), or by

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Registrant, done, concurred in or omitted in or about the execution of his, her or their duty, or supposed duty, or in his, her or their respective offices or trusts, in defending or appearing or giving evidence in any proceedings (such term to include, for the purposes of Bye-law 30, threatened proceedings, investigations and enquiries, whether by a regulatory authority, prosecutions authority or otherwise), whether civil or criminal, including where allegations of fraud and dishonesty are made against such director or other person, and Registrant shall pay to or on behalf of such director or other person any and all funds associated in defending or appearing or giving evidence in such proceedings (including, without limitation, independent representation and counseling by an attorney or other professional selected by such director or other person concerned) as and when such liabilities, losses, costs and expenses are incurred, provided that, in the event of a finding of fraud or dishonesty (such fraud or dishonesty having been established in a final judgment or decree not subject to appeal), such director or other person shall reimburse to Registrant all funds paid by Registrant in respect of liabilities, losses, costs and expenses of defending such proceedings. The provisions of Bye-law 30 (and Bye-law 31) shall apply to, and for the benefit of, any person acting as (or with the reasonable belief that he or she will be appointed or elected as) a director, secretary, other officer, the resident representative, or liquidator or trustee in the reasonable belief that he or she has been so appointed or elected notwithstanding any defect in such appointment or election and to any person who is no longer, but at one time was, a director, secretary, other officer, resident representative or liquidator or trustee of Registrant.

Bye-law 31 of Registrant's Bye-Laws provides that Registrant and each shareholder agree to waive any claim or right of action it might have, whether individually or by or in the right of Registrant, against any director, secretary, other officer, resident representative or liquidator or trustee of Registrant on account of any action

taken by such director or other such person, or the failure of such director or other such person to take any action in the performance of his or her duties with or for Registrant, provided that such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such director or other such person.

The Companies Act provides that a Bermuda company may indemnify its directors in respect of any loss arising or liability attaching to them as a result of any negligence, default, breach of trust of which they may be guilty. However, the Companies Act also provides that any provision, whether contained in the company's bye-laws or in a contract or arrangement between the company and the director, indemnifying such director against any liability which would attach to him in respect of his fraud or dishonesty will be void.

Certain of Registrant's executive officers have employment agreements that provide that they are entitled to indemnification in accordance with the Registrant's Bye-laws and other governing documents. In addition, Registrant has entered into indemnification agreements with its directors and executive officers. The indemnification agreements provide for indemnification arising out of specified indemnifiable events, such as events relating to the fact that the indemnitee is or was one of Registrant's directors or officers or is or was a director, officer, employee or agent of another entity at Registrant's request or relating to anything done or not done by the indemnitee in such a capacity. The indemnification agreements provide for advancement of expenses. These agreements provide for mandatory indemnification to the extent an indemnitee is successful on the merits. To the extent that indemnification is unavailable, the agreements provide for contribution. The indemnification agreements set forth procedures relating to indemnification claims. The agreements also provide for maintenance of directors' and officer's liability insurance.

Registrant has purchased directors' and officers' liability insurance policies.

Such insurance would be available to Registrant's directors' and officers' in accordance with its terms. In addition, certain directors may be covered by directors and officers liability insurance policies purchased by their respective employers.

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The Registrant expects that any underwriting agreement that it may enter in connection with the securities registered pursuant to this registration statement may contain provisions providing that the underwriters are obligated, under certain circumstances, to indemnify the directors, certain officers and the controlling persons of Registrant against certain liabilities under the Securities Act of 1933, as amended.

ITEM 16. EXHIBITS.

See the Exhibit Index, which is hereby incorporated herein by reference.

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes:

- (a) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:
 - (i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;
 - (ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the

most
recent
post-effective
amendment
thereof)
which,
individually
or in the
aggregate,
represent
a
fundamental
change in
the
information
set forth
in the
registration
statement.
Notwithstanding
the
foregoing,
any
increase
or
decrease
in volume
of
securities
offered (if
the total
dollar
value of
securities
offered
would not
exceed
that
which
was
registered)
and any
deviation
from the
low or
high end
of the
estimated
maximum
offering
range
may be
reflected
in the
form of
prospectus
filed with
the
Commission
pursuant
to
Rule 424(b)

if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii)

To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs (i), (ii) and (iii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are

incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(b)

That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c)

To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(d)

That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i)

each prospectus filed by a Registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement

as of the
date the
filed
prospectus
was
deemed
part of
and
included
in the
registration
statement;
and

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(ii)

each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5) or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii) or (x) for the purpose of providing the information required by Section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the

offering
described
in the
prospectus.
As
provided
in
Rule 430B,
for
liability
purposes
of the
issuer and
any
person
that is at
that date
an
underwriter,
such date
shall be
deemed
to be a
new
effective
date of
the
registration
statement
relating to
the
securities
in the
registration
statement
to which
the
prospectus
relates,
and the
offering
of such
securities
at that
time shall
be
deemed
to be the
initial
bona fide
offering
thereof.
Provided,
however,
that no
statement
made in a
registration
statement
or
prospectus
that is

part of the
registration
statement
or made
in a
document
incorporated
or
deemed
incorporated
by
reference
into the
registration
statement
or
prospectus
that is
part of the
registration
statement
will, as to
a
purchaser
with a
time of
contract
of sale
prior to
such
effective
date,
supersede
or modify
any
statement
that was
made in
the
registration
statement
or
prospectus
that was
part of the
registration
statement
or made
in any
such
document
immediately
prior to
such
effective
date.

(e)

That, for the
purpose of
determining
liability of a

Registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, each undersigned Registrant undertakes that in a primary offering of securities of an undersigned Registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrants will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

- (i) Any preliminary prospectus or prospectus of an undersigned Registrant relating to the offering required to be filed pursuant to Rule 424;
- (ii) Any free writing prospectus relating to the offering prepared by or on

behalf of
an
undersigned
Registrant
or used or
referred
to by an
undersigned
Registrant;

(iii)

The
portion of
any other
free
writing
prospectus
relating to
the
offering
containing
material
information
about an
undersigned
Registrant
or its
securities
provided
by or on
behalf of
an
undersigned
Registrant;
and

(iv)

Any other
communication
that is an
offer in
the
offering
made by
an
undersigned
Registrant
to the
purchaser.

The undersigned registrants hereby undertake that, for purposes of determining any liability under the Securities Act of 1933, each filing of Assured Guaranty Ltd.'s annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the

registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrants pursuant to the provisions set forth or described in Item 15 of this registration statement, or otherwise, the registrants have been informed that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. If a claim for indemnification against such liabilities (other than the payment by a registrant of expenses incurred or paid by a director, officer or

controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrants will, unless in the opinion of their counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by them is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Assured Guaranty Ltd. certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Hamilton, Bermuda, on the 28th day of July, 2009.

ASSURED
GUARANTY LTD.

By: /s/ ROBERT
MILLS

Name: Robert Mills
Title: *Chief
Financial Officer*

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on the dates indicated.

Name	Position	Date
<p>* _____ Walter A. Scott</p>	<p>Chairman of the Board; Director</p>	<p>July 28, 2009</p>
<p>/s/ DOMINIC J. FREDERICO _____ Dominic J. Frederico</p>	<p>President and Chief Executive Officer (Principal Executive Officer); Director</p>	<p>July 28, 2009</p>
<p>/s/ ROBERT MILLS _____ Robert Mills</p>	<p>Chief Financial Officer (Principal Financial Officer)</p>	<p>July 28, 2009</p>
<p>/s/ ROBERT A. BAILENSEN _____ Robert A. Bailenson</p>	<p>Chief Accounting Officer (Principal Accounting Officer)</p>	<p>July 28, 2009</p>

Name	Position	Date
*		
_____ Donald H. Layton	Director	July 28, 2009
*		
_____ Robin Monro-Davies	Director	July 28, 2009
*		
_____ Michael T. O'Kane	Director	July 28, 2009
*		
_____ Wilbur L. Ross, Jr.	Director	July 28, 2009
/s/ DOMINIC		
J. FREDERICO	Authorized Representative in the United States	July 28, 2009
Dominic J. Frederico		
*By: /s/ ROBERT MILLS		
_____ Name: Robert Mills		
<i>Attorney-in-Fact</i> II-7		

EXHIBIT INDEX

Exhibit Number	Description
1.1	Form of Underwriting Agreement relating to common shares*
3.1	Certificate of Incorporation and Memorandum of Association of Assured Guaranty Ltd. (Incorporated by reference to exhibit 3.1 to Amendment No. 2 to Form S-1 (333-111491) filed by the Registrant on April 2, 2004.)
3.2	Bye-Laws of Assured Guaranty Ltd. (Incorporated by reference to exhibit 3.2 to Post-Effective Amendment No. 1 to Form S-1 (333-111491) filed by the Registrant on May 3, 2004.)
4.1	Specimen Common Share Certificate (Incorporated by reference to exhibit 4.1 to Amendment No. 2 to Form S-1 (333-111491) filed by the Registrant on April 2, 2004.)
5.1	Opinion of Conyers Dill & Pearman (29,809,297 shares)**
5.2	Opinion of Conyers Dill & Pearman (22,153,951 shares)
8.1	Opinion of Conyers Dill & Pearman re: tax matters
8.2	Opinion of Mayer Brown LLP re: tax matters
23.1	Consent of PricewaterhouseCoopers LLP (Assured Guaranty)
23.2	Consent of PricewaterhouseCoopers LLP (FSAH)
23.3	Consent of Conyers Dill & Pearman (included in Exhibits 5.1, 5.2 and 8.1)

23.4 Consent of Mayer Brown LLP
(included in Exhibit 8.2)

24.1 Powers of Attorney**

99.1 Form F-N**

*

To be filed by post-effective amendment or on Form 8-K and incorporated by reference herein in connection with an offering of securities.

**

Previously filed
