

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.

Table of Contents**Per Share Market Price Data**

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.

	Nine Months Ended September 30,		Year Ended December 31,				
	2008	2007	2007	2006	2005	2004	2003
(dollars in millions, except per share amounts)							
Statement of Operations Data:							
Gross written premiums	\$ 534.4	\$ 195.4	\$ 424.5	\$ 261.3	\$ 192.1	\$ 222.8	\$ 258.3
Net written premiums	521.8	180.3	408.0	255.8	159.1	114.6	401.7
Net earned premiums	184.0	113.6	159.3	144.8	139.4	98.7	180.3
Net investment income	120.2	94.2	128.1	111.5	96.8	94.8	96.3
Net realized investment (losses) gains	(18.0)	(1.9)	(1.3)	(2.0)	2.2	12.0	5.5
Realized gains and other settlements on credit derivatives	89.4	52.1	74.0	73.9	57.1	(13.1)	40.7
Unrealized gains (losses) on credit derivatives	332.6	(250.9)	(670.4)	11.8	4.4	137.4	113.2
Other income(1)	24.8	0.4	8.8	0.4	0.2	0.8	1.2
Total revenues	733.1	7.4	(301.6)	340.4	300.3	330.5	437.3
Loss and loss adjustment expenses (recoveries)	175.8	(11.8)	5.8	11.3	(63.9)	(48.2)	70.1
Profit commission expense	0.8	3.6	6.5	9.5	12.9	15.5	9.8
Acquisition costs	43.0	32.1	43.2	45.2	45.4	49.7	64.4
Other operating expenses	69.9	59.4	79.9	68.0	59.0	67.8	41.0
Other expense(2)	4.0	1.9	2.6	2.5	3.7	1.6	
Interest expense	17.5	17.7	23.5	13.8	13.5	10.7	5.7
Total expenses	310.9	102.9	161.4	150.4	70.7	97.2	191.1
Income (loss) before provision (benefit) for income taxes	422.2	(95.5)	(463.0)	190.0	229.6	233.3	246.2
Provision (benefit) for income taxes	109.5	(52.3)	(159.8)	30.2	41.2	50.5	31.7
Net income (loss)	\$ 312.7	\$ (43.2)	\$ (303.3)	\$ 159.7	\$ 188.4	\$ 182.8	\$ 214.5
Earnings (loss) per share:(3)							
Basic	\$ 3.59	\$ (0.64)	\$ (4.46)	\$ 2.18	\$ 2.55	\$ 2.44	\$ 2.86
Diluted	\$ 3.55	\$ (0.64)	\$ (4.46)	\$ 2.15	\$ 2.53	\$ 2.44	\$ 2.86
Dividends per share	\$ 0.135	\$ 0.12	\$ 0.16	\$ 0.14	\$ 0.12	\$ 0.06	\$
Balance sheet data (end of period):							
Investments and cash	\$3,538.5	\$2,639.2	\$3,147.9	\$2,469.9	\$2,256.0	\$2,157.9	\$2,222.1
Prepaid reinsurance premiums	19.9	14.0	13.5	4.5	9.5	11.8	8.6
Total assets	4,442.7	3,133.0	3,762.9	2,931.6	2,689.8	2,689.0	2,829.6
Unearned premium reserves	1,231.8	707.3	887.2	631.0	524.6	507.2	488.2
Reserves for losses and loss adjustment expenses	165.9	106.1	125.6	115.9	117.4	217.2	440.3
Long-term debt	347.2	347.1	347.1	347.1	197.3	197.4	75.0
Total liabilities	2,352.7	1,528.7	2,096.4	1,280.8	1,028.3	1,161.4	1,392.0
Accumulated other comprehensive (loss) income	(78.9)	34.6	56.6	41.9	45.8	79.0	81.2
Shareholders' equity	2,089.9	1,604.4	1,666.6	1,650.8	1,661.5	1,527.6	1,437.6

(1) Other income for nine months ended September 30, 2008 and the year ended December 31, 2007 included a change in fair value of \$24.3 million and \$8.3 million, respectively, related to Assured Guaranty Corp.'s committed capital securities entered into in April 2005. The change in fair value was \$0 for nine months ended September 30, 2007 and the years ended December 31, 2006 and 2005.

(2) Amounts for 2005 represent investment banking fees and put option premiums associated with AGC's \$200.0 million committed capital securities, while 2007 and 2006 include put option premiums. During 2004, a goodwill impairment of \$1.6 million was recognized for the trade credit business which Assured exited as part of its strategy in connection with its initial public offering. The goodwill arose from the acquisition of our predecessor by ACE Limited, our former parent, as of December 31, 1999. Beginning January 1, 2002, goodwill is no longer amortized, but rather is evaluated for impairment at least annually in accordance with FAS No. 142, "Goodwill and Other Intangible Assets." No such impairment was recognized in the nine

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months ended September 30, 2008 and 2007 and the years ended December 31, 2006, 2005 or 2003.

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Summary Unaudited Pro Forma Combined Condensed Financial Data of Assured

The following describes the pro forma effect of the acquisition of FSAH (1) the balance sheet data of Assured as of September 30, 2008, (2) the statement of operations data of Assured for the year ended December 31, 2007 and (3) the statement of operations data for Assured for the nine months ended September 30, 2008.

This information is only a summary. You should read the unaudited pro forma combined condensed financial statements and other information and the accompanying notes that are included elsewhere in this proxy statement.

You should also read the historical information and related notes of Assured and FSAH that are incorporated by reference into this proxy statement.

The unaudited pro forma combined condensed balance sheet data shows the estimated effects of the acquisition of FSAH as if it had occurred on September 30, 2008. The unaudited pro forma combined condensed statements of operations data for the year ended December 31, 2007 and the nine months ended September 30, 2008 show the estimated effects of the acquisition of FSAH as if it had occurred on the first day of the period presented (*i.e.*, January 1, 2007 and January 1, 2008, respectively). We are providing the unaudited pro forma combined condensed financial data for informational purposes only. It does not necessarily represent or indicate what the financial position and results of operations of Assured would actually have been had the acquisition of FSAH and other pro forma adjustments in fact occurred at the dates indicated. It also does not necessarily represent or indicate the future financial position or results of operations Assured will achieve after the acquisition of FSAH.

The pro forma adjustments reflect the 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 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.

The pro forma financial information 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 financial information also does not reflect

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non-recurring charges relating to integration activities or exit costs that may be incurred by Assured or FSAH in connection with the acquisition of FSAH.

	Nine Months Ended September 30, 2008	Year Ended December 31, 2007
	(dollars in millions, except per share amounts)	
Statement of Operations Data:		
Net earned premiums	\$ 542,832	\$ 593,700
Net (loss) income	(335,569)	\$ (315,263)
(Loss) earnings per share		
Basic	(2.08)	\$ (1.69)
Diluted	(2.08)	\$ (1.69)
Balance Sheet Data (at end of period):		
Total assets	\$ 15,916,439	
Unearned premium reserves	5,139,691	
Reserves for losses and loss adjustment expenses	1,348,238	
Long-term debt	669,906	
Shareholders' equity	3,485,031	
Book value per share	21.05	

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RISK FACTORS

In addition to the other information included or incorporated by reference in this proxy statement, you should carefully consider the material risks described below in deciding whether to vote for approval of the proposals presented in this proxy statement. Additional risks and uncertainties not presently known to us or that are not currently believed to be material, if they occur, also may adversely affect the proposed acquisition of FSAH and Assured following the acquisition.

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

The financial guaranties issued by Assured and FSA insure the financial performance of the obligations guaranteed over an extended period of time, in some cases over 30 years, under policies that Assured and FSA have, in most circumstances, no right to cancel. The acquisition of FSAH will increase our net par outstanding from approximately \$227.3 billion to approximately \$651.3 billion. As a result of the lack of statistical paid loss data due to the low level of paid claims in our financial guaranty business and in the financial guaranty industry in general, particularly, until recently, in the structured asset-backed area, we do not use traditional actuarial approaches to determine loss reserves. The establishment of the appropriate level of loss reserves is an inherently subjective process involving numerous estimates, assumptions and judgments by management, using both internal and external data sources with regard to frequency and severity of loss. Actual losses will ultimately depend on events or transaction performance that will occur in the future. Therefore, we cannot assure you that current estimates of probable and estimable losses reflect the actual losses that we may ultimately incur. Actual paid claims could exceed our estimate and could significantly exceed our loss reserves, which may result in adverse effects on our financial condition, ratings and ability to raise needed capital.

We may have exposure through financial guaranty insurance policies to FSAH's financial products business which we are not acquiring.

FSAH, through its financial products subsidiaries, offers FSA-insured GICs and other investment agreements, including MTNs. In connection with the acquisition, FSAH is expected to transfer to Dexia Holdings the ownership interests in certain of its financial products subsidiaries. Even if FSAH no longer owns such financial products subsidiaries, FSA's guarantees of the GICs and MTNs will remain in place. While Dexia Holdings and FSAH have entered into and are entering into a number of agreements pursuant to which Dexia Holdings or other Dexia affiliates will guarantee the assets and liabilities of the GIC subsidiaries for the benefit of FSA (and, if FSAH continues to own FSAM and the GIC subsidiaries; indemnify Assured for losses arising after the closing of the acquisition from the assets, liabilities, operations and business of the financial products business) FSA may still be subject to certain risks, including credit and liquidity risks, associated with FSAH's financial products business. To the extent FSA is required to pay any amounts on financial products written by FSAH's financial products subsidiaries, FSA will be subject to the risk that it will not receive the guarantee payment from Dexia Holdings or its affiliates before it is required to make the payment under its financial guarantee policies or that it will not receive the guarantee payment at all. See "The Stock Purchase Agreement and Ancillary Agreements Financial Products Agreements."

We will have substantial credit and liquidity exposure to Dexia.

Dexia Holdings and its affiliates have entered into and are entering into a number of agreements pursuant to which Dexia Holdings or other Dexia affiliates will guarantee certain amounts, lend certain amounts or lend securities to or in respect of FSAH's financial products business. In addition, Dexia Holdings has agreed (directly or through an affiliate) to provide a liquidity facility to FSAH in respect of the leveraged tax lease debt defeasance business FSAH is retaining. As a result of these various agreements, Assured will be subject to the risk that Dexia Holdings or its various affiliates may not

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make such amounts or securities available on a timely basis, which is referred to as "liquidity risk" because the beneficiary of the agreement would be required to fund the necessary amounts, or at all, which is referred to as "credit risk" because of the risk of default. Even if Dexia Holdings and affiliates have sufficient assets to pay all amounts when due, concerns regarding Dexia's financial condition could cause one or more rating agencies to view negatively the ability of Dexia Holdings and its affiliates to perform under their various agreements and could negatively affect FSA's ratings.

Dexia Holdings and FSAH have entered into and are entering into a number of agreements pursuant to which Dexia Holdings or other Dexia affiliates will guarantee the assets and liabilities of the GIC subsidiaries for the benefit of FSA (and, if FSAH continues to own FSAM and the GIC subsidiaries, indemnify Assured for losses arising after the closing of the acquisition from the assets, liabilities, operations and business of FSAH's financial products business). Dexia has also agreed to post from time to time eligible collateral (other than any assets of FSAM owned as of the closing date) having an aggregate value (subject to customary "haircuts") equal to the excess of (i) the aggregate principal amount of all outstanding GICs over (ii) the aggregate mark-to-market value of FSAM's assets. Under specified circumstances, including issuance of the sovereign guarantees, Dexia will be relieved, in whole or in part, of its obligation to post collateral. See "The Stock Purchase Agreement and Ancillary Agreements Financial Product Agreements." As of September 30, 2008, the liabilities of FSAH's financial products business exceeded their assets by approximately \$4.3 billion (before any tax effects). To the extent FSA is required to pay any amounts in respect of liabilities of FSAH's financial products subsidiaries, FSA will be subject to the risk that it will not receive the guarantee payment from Dexia Holdings or its affiliate before it is required to make the payment under its financial guarantee policy or that it will not receive the guarantee payment at all.

Dexia Holdings and/or its affiliates have also entered into agreements to:

provide a \$5 billion revolving line of credit to FSAM;

provide capital contributions to FSAH, not to exceed \$500 million in the aggregate, equal to the economic losses on assets owned by FSAM for which other than temporary impairments have been determined in accordance with FSAH's accounting principles for the quarter ending immediately prior to the contribution date, less certain realized tax benefits, if any, arising from those economic losses; and

lend FSAM up to \$3.5 billion of securities eligible to act as collateral for GICs.

All of these agreements are described under "The Stock Purchase Agreement and Ancillary Agreements Financial Product Agreements Pre-Existing Agreements."

Dexia Holdings has agreed to (or cause an affiliate to) provide a liquidity facility for the purpose of covering the liquidity risk arising out of claims payable in respect of "strip coverages" included in FSAH's leveraged tax lease debt defeasance business. The initial commitment under this facility will not exceed \$2 billion, subject to adjustment to \$1 billion under specified conditions. See "The Stock Purchase Agreement and Ancillary Agreements Financial Product Agreements Strip Coverage Liquidity Facility."

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

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." These restrictions will generally continue for three years after the closing of the acquisition. Among other things, Assured has agreed that unless FSA is rated below A+, FSA will not write any business except municipal bond and infrastructure bond insurance, whether written directly, assumed, reinsured or occurring through any

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merger transaction. Assured has also agreed that FSA will not repurchase, redeem or pay any dividends in relation to any class of equity interests unless (i) (A) at such time FSA is rated at least AA- by S&P, AA- by Fitch and Aa3 by Moody's (if such rating agencies still rate financial guaranty insurers generally) and (B) the aggregate amount of such dividends in any year does not exceed \$25 million or (ii) FSA receives prior rating agency confirmation that such action would not cause any rating currently assigned to FSA to be downgraded immediately following such action. These agreements will limit Assured's operating and financial flexibility.

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

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

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

diversion of management attention from ongoing business concerns to integration matters;

difficulties in consolidating and rationalizing information technology platforms and administrative infrastructures; and

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

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

The acquisition of FSAH is subject to the receipt of consents and approvals from government entities that may not be received or that may impose conditions that could have an adverse effect on Assured following the completion of the acquisition.

We cannot complete the acquisition unless we receive various consents, orders, approvals and clearances from antitrust and other authorities in the United States and elsewhere. While we believe that we will receive the requisite regulatory approvals from these authorities, we cannot assure you of this. In addition, these authorities may impose conditions on the completion of the acquisition of FSAH or require changes to the terms of the acquisition. For example, the authorities may require divestiture of certain assets as a condition to the closing of the acquisition. We are not obligated to agree to divest assets in order to obtain regulatory approval of the proposed acquisition if such divestiture would have a material adverse effect on Assured and its subsidiaries (including FSAH and its subsidiaries (other than the financial products subsidiaries)) taken as a whole after the acquisition. While we do not currently expect that any such conditions or changes would be imposed, we cannot assure you that they will not be, and such conditions or changes could have the effect of delaying completion of the acquisition or imposing additional costs on or limiting the revenues of Assured following the acquisition, any of which may have an adverse effect on us following the acquisition. See

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"The Transaction Regulatory Approvals Required for the Transaction" and "The Stock Purchase Agreement Closing Conditions" for a more detailed discussion.

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

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

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

In connection with the transaction, we will issue to Dexia Holdings up to 44,567,901 Assured common shares. In order to finance the cash portion of the purchase price under the stock purchase agreement, we expect to issue additional Assured common shares having a value of approximately \$361 million, or approximately 33 million Assured common shares based upon the closing price of the Assured common shares on the NYSE on December 22, 2008. Therefore, following the completion of the acquisition, holders of Assured common shares will experience a substantial reduction in their respective percentage ownership interests and effective voting power relative to their respective percentage ownership interests in Assured common shares and effective voting power prior to the acquisition.

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THE SPECIAL GENERAL MEETING

This section contains information about the special general meeting of Assured's shareholders that has been called to consider and approve the issuance of up to 44,567,901 Assured common shares to Dexia Holdings or its designated affiliate under the stock purchase agreement and the issuance of Assured common shares to the WLR Funds under the WLR Backstop Commitment.

Together with this proxy statement, Assured is also sending you a notice of the special general meeting and a form of proxy that is solicited by Assured's board of directors. The special meeting will be held on _____, 2009 at the [Fairmont Hamilton Princess Hotel, 76 Pitts Bay Road, Hamilton, Bermuda at [8:00 a.m. Atlantic Time.]]

Matters to be Considered

There are two proposals scheduled to be voted on at the special general meeting:

a proposal for approval of the issuance of Assured common shares to Dexia Holdings or its designated affiliate pursuant to the stock purchase agreement and in connection with Assured's acquisition of FSAH; and

a proposal for the approval of the issuance of Assured common shares to the WLR Funds pursuant to the WLR Backstop Commitment.

Proxies

Each copy of this proxy statement mailed to holders of Assured common shares is accompanied by a form of proxy with instructions for voting by mail, by telephone or through the Internet. If your Assured common shares are registered directly in your name with Assured's transfer agent, BNY Mellon Shareowner Services, you have the right to grant your voting proxy directly to Assured or to vote in person at the special general meeting.

To vote by proxy, you must 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 Assured's board of directors "FOR" both of the proposals described above. 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.

Instead of submitting your vote by mail on the enclosed proxy card, you may be able to vote via the Internet or by telephone. 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 your shares are held in a stock brokerage account or by a bank or other nominee, commonly referred to as "street name" you must direct your broker or nominee on how to vote your shares.

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. Your broker or nominee has enclosed a voting instruction card for you to use in directing your broker or nominee as to how to vote your shares. You may also be able vote on the Internet or by telephone and should check with your broker or nominee as to how to do so. Even if your shares are held in "street name,:" you may attend the special general meeting and may vote your Assured common shares if you 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.

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You may revoke your proxy by following any of the procedures described below:

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

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

attending the special general meeting and voting 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.

Solicitation of Proxies

Assured will pay all the costs of soliciting proxies. Assured's directors and employees may also solicit proxies by telephone, by fax or other electronic means of communication, or in person. Assured will request that banks, brokers, and other record holders send proxies and proxy material to the beneficial owners of Assured common shares and secure their voting instructions. Assured will reimburse the record holders for their reasonable expenses in taking those actions. Assured has also made arrangements with Georgeson Inc. to assist it in soliciting proxies and has agreed to pay them \$, plus reasonable expenses for these services.

Record Date

, 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.

Voting Rights and Vote Required

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 Funds are subject to this voting restriction and, as a result, the voting rights of all other shareholders will be increased accordingly. The accompanying proxy card indicates the number of Assured common shares you are entitled to vote, without giving effect to the controlled share rule described above.

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 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 toward the quorum.

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The approval of the issuance of Assured common shares to Dexia Holdings or its designated affiliate under the stock purchase agreement and the issuance of Assured common shares to the WLR Funds under the WLR Backstop Commitment requires the affirmative vote of a majority of the votes cast on the 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.

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. Assured 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.

ACE Bermuda Insurance Ltd., which owns approximately 21.1% of the outstanding Assured common shares, has agreed to vote, subject to customary conditions, in favor of the issuance of Assured common shares to Dexia Holdings or its designated affiliate under the stock purchase agreements.

We will publish the voting results in the first annual report on Form 10-K or quarterly report on Form 10-Q that we file with the SEC after the special general meeting. You can find such report on Assured's web site at www.assuredguaranty.com.

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.

Recommendation of the Assured Board of Directors

All of Assured's directors (other than Wilbur L. Ross, Jr., who did not vote on the matter) voted in favor of approving the stock purchase agreement and the WLR Backstop Commitment. Assured's board of directors determined that the acquisition of FSAH is advisable and in the best interests of Assured and its shareholders and recommends that you vote "FOR" approval of the issuance of Assured common shares to Dexia Holdings or its designated affiliate pursuant to the stock purchase agreement and the issuance of Assured common shares to the WLR Funds pursuant to the WLR Backstop Commitment. See "The Acquisition Reasons for the Transaction; Recommendation of the Assured Board of Directors" for a more detailed discussion of the Assured board of directors' recommendation.

Attending the 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. Shares 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.

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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.

You can obtain directions to attend the special general meeting by contacting Natasha Medeiros at 441-299-9375 or at nmedeiros@assuredguaranty.com.

Dissenter's Rights

Under applicable Bermuda law, Assured shareholders do not have dissenters' or appraisal rights in connection with the issuance of common shares to Dexia Holdings or its designated affiliate or to the WLR Funds.

Material Tax Consequences to Assured Shareholders

The issuance of Assured 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."

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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THE ACQUISITION

Background of the Acquisition

At various times, Assured's board of directors has engaged with Assured's senior management in strategic reviews, including reviews of acquisitions of companies and portfolios of insured risks.

Following a number of years in which delinquency and default rates were comparatively low across the residential mortgage, consumer finance and corporate finance credit markets, in 2007 and 2008, mortgage performance deteriorated rapidly, exceeding the most conservative historical loss expectations. For the first time since the Great Depression, year-over-year home prices declined across the entire United States, not just regionally. As projected losses on subprime and other residential mortgage-backed securities increased, some mortgage lenders failed, and rating agencies downgraded many mortgage-related securities.

As a result of losses related to mortgage-related securities and collateralized debt obligations, which we refer to in this proxy statement as "CDOs," of asset-backed securities and CDOs of CDOs of asset-backed securities (commonly referred to as CDOs Squared), a number of Assured's and FSAH's competitors in the financial guaranty industry announced sharp increases in projected losses on insured transactions in the first quarter 2008 and subsequently were downgraded or placed on credit watch, negative outlook or review for further downgrade by the major securities rating agencies. Losses on mortgage-backed securities also adversely affected the value of companies' invested assets.

Beginning in the fourth quarter of 2007, FSAH increased holdings of short-term, lower-yielding investments in order to meet anticipated liquidity requirements in its financial products business resulting from losses on mortgage-backed securities. It also entered into agreements for new lines of liquidity. On June 30, 2008, FSAM entered into an agreement pursuant to which Dexia Crédit Local and Dexia Bank Belgium provide a \$5.0 billion line of credit, to address liquidity requirements of FSAH's financial products business. In addition, on November 13, 2008, FSAH entered into two new agreements with Dexia and its affiliates in support of its financial products business, which provide additional protection through a \$3.5 billion collateral swap facility and a \$500 million capital facility to cover economic losses beyond the \$316.5 million of pre-tax loss estimated at the end of June 2008.

On July 21, 2008, Moody's Investors Service Inc., which we refer to in this proxy statement as "Moody's," placed FSA's Triple-A rating on "review for possible downgrade." In announcing the review for possible downgrade, Moody's stated that it had re-estimated expected and stress loss projections on FSA's aggregate insured portfolio. On October 8, 2008, Standard & Poor's Ratings Services, which we refer to in this proxy statement as "S&P," placed FSA's Triple-A rating on "negative credit watch." On October 9, 2008, Fitch Inc., which we refer to in this proxy statement as "Fitch," also placed FSA's Triple-A rating on "negative credit watch." On November 21, 2008, Moody's downgraded the financial strength rating of FSA to Aa3 with developing outlook.

In September 2008, Dexia announced the provision of capital support to Dexia by the governments of Belgium, France and Luxembourg, which was followed by changes in Dexia senior management. Following such developments, Dexia announced its intention to refocus on its basic business lines and its decision to explore options to reduce its risk related to FSAH.

Dexia engaged Goldman Sachs International and Goldman, Sachs & Co., which together we refer to in this proxy statement as "Goldman Sachs," to advise it with respect to a possible sale of FSAH, and an initial meeting took place on September 8, 2008. As a part of the sale process, Goldman Sachs contacted potential bidders, including Assured, and informed them of the proposed transaction, and the potential bidders executed confidentiality and non-disclosure agreements. In early October 2008, a representative of Goldman Sachs contacted a representative of Assured and WL Ross & Co. LLC, which we refer to in this proxy statement as "WL Ross," to advise Assured and WL Ross that Dexia

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was considering a possible sale of FSAH, and on October 9, 2008 and October 16, 2008, WLR Ross and Assured, respectively, executed confidentiality and non-disclosure agreements with Dexia.

On October 16, 2008, certain members of senior management of Assured attended a management presentation given by members of FSAH's senior management. Between October 16, 2008 and October 30, 2008, Assured conducted a preliminary due diligence investigation of FSAH's financial guarantee business. During this time, FSAH gave management presentations to other potential bidders and responded to information requests and held follow-up discussions with the potential bidders.

On October 23, 2008, Goldman Sachs delivered a process letter and other materials to Assured and the other potential bidders that outlined the procedures and proposed structure of the transaction. In those letters, Goldman Sachs, on behalf of Dexia, requested bid proposals by October 30, 2008.

On October 29, 2008, Assured's board of directors met telephonically and were apprised by Assured's management of the potential of a strategic transaction involving FSAH. At that meeting, Assured's management briefly reviewed the strategic benefits of a transaction involving FSAH and the likely financial parameters. Without taking specific action, Assured's board of directors expressed its support for the submission of a non-binding offer to acquire FSAH, but excluding its financial products business.

On October 30, 2008, in response to Dexia's invitation, Assured submitted a non-binding offer to acquire all of the outstanding capital stock of FSAH, excluding FSAH's financial products business. In its offer letter, Assured offered total consideration of approximately 35% of FSAH's closing date U.S. GAAP shareholders' equity after giving effect to the removal of FSAH's financial products subsidiaries. Assured offered consideration consisting of an equal amount of cash and Assured common shares. The offer was subject to a number of conditions, including approval by Assured's board of directors.

During the next few days, Goldman Sachs and Dexia reviewed the terms of the various offers received. Goldman Sachs also contacted Assured's financial advisor, Banc of America Securities, to discuss several points in Assured's proposal.

On November 5, 2008, representatives of Dexia Holdings, Goldman Sachs, Cleary Gottlieb Steen & Hamilton LLP, which we refer to in this proxy statement as "Cleary Gottlieb," Dexia Holdings' counsel, Assured, Assured's legal advisors, Mayer Brown LLP, which we refer to in this proxy statement as "Mayer Brown," and Assured's financial advisor discussed various transaction structures.

During the week of November 3, 2008, Assured's management, with the assistance of Assured's financial advisor, formulated a plan to finance the cash portion of the purchase price. In light of the capital requirements imposed by rating agencies, it was determined that the cash portion of the purchase price would be raised through the issuance of additional Assured common shares. In order to mitigate the risk of having to execute a public offering of common shares, Assured began exploring obtaining a backstop commitment from one or more of Assured's large shareholders.

At its regularly scheduled November 4-6, 2008 meeting, Assured's board of directors discussed the potential transaction involving FSAH. At that meeting, members of Assured's management discussed FSAH's business, prospects and financial condition as well as the strategic rationale for the acquisition. Members of senior management of Assured also discussed the results of its initial due diligence investigation of FSAH and presented to the board of directors an overview of the expected terms of the transaction. Following review and discussion among the members of the Assured board of directors, including consideration of the factors described under "Reasons for the Transaction; Recommendation of the Assured Board of Directors," all of the members of Assured's board of directors (other than Mr. Ross who was not present at the meeting) voted to approve the acquisition of FSAH with the consideration to be payable in cash and in Assured common shares. Assured's board also approved the issuance of Assured common shares to pay the cash portion of the purchase price,

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including through the issuance of such shares to existing shareholders of Assured. Assured's board of directors approved the calling of a special general meeting of shareholders to approve the various issuances of common shares in accordance with NYSE rules and voted to recommend that Assured's shareholders approve such issuances. Finally, Assured's board also established a special acquisition committee consisting of Francisco L. Borges, G. Lawrence Buhl, Robin Monro-Davies and Walter A. Scott to approve on behalf of the board of directors the final terms of the transaction and to take such further action on behalf of the board of directors as might be necessary in connection with the transaction.

In light of the fact that the Assured common shares might be issued to existing shareholders of Assured, the issuance of common shares pursuant to backstop arrangements with existing shareholders was also approved by both Assured's audit committee and nominating and governance committees.

During the course of the succeeding few days, Assured continued performing its due diligence investigation of FSAH and working with Dexia Holdings and Cleary Gottlieb on the structure of the transaction. In addition, Assured's chief executive officer approached Wilbur L. Ross Jr., a director of Assured and the managing member of WLR Fund IV to determine the WLR Funds' interest in providing a backstop commitment in the event Assured was unable to successfully complete a public offering. Mr. Ross, on behalf of the WLR Funds, indicated that the WLR Funds would be willing, subject to agreement upon the specific terms and conditions, to provide such a backstop commitment.

From November 9, 2008 through November 13, 2008, representatives of Assured and its legal and financial advisors met with representatives of Dexia Holdings and its legal and financial advisors to negotiate the stock purchase agreement and ancillary documents.

On November 10, 2008, Dexia agreed in writing to negotiate exclusively with Assured until 11:59 p.m. (New York City time) on November 13, 2008. On November 10, 2008, Dexia and Assured also signed a confidentiality and non-disclosure agreement facilitating Dexia's due diligence review of Assured.

On November 11, 2008, representatives of Dexia Holdings and Goldman Sachs attended management presentations given by members of Assured's senior management. Between November 10, 2008 and November 13, 2008, representatives of Dexia Holdings, Goldman Sachs and Cleary Gottlieb conducted due diligence sessions telephonically and in person with members of Assured's senior management and Assured's outside legal advisors and auditors.

On November 11, 12 and 13, 2008, representatives of Assured and Mayer Brown had numerous conversations with representatives of the WLR Funds and Jones Day, the WLR Funds' counsel, regarding the terms of the WLR Backstop Commitment.

On November 12, 2008, representatives of Dexia Holdings and ACE Bermuda Insurance Ltd, which we refer to in this proxy statement as "ACE Bermuda," negotiated, with the assistance of representatives of Assured, a form of voting agreement pursuant to which ACE Bermuda would agree to vote its Assured common shares in favor of approval of the share issuances.

On November 12 and 13, 2008, representatives of Dexia Holdings, Cleary Gottlieb, the WLR Funds and Jones Day negotiated a form of voting agreement pursuant to which the WLR Funds would agree to vote their Assured common shares at the special general meeting.

On November 12, 2008, Assured's board of directors met telephonically to consider the transactions. Members of senior management of Assured and Assured's legal and financial advisors also participated in the meeting. Assured's board of directors was provided with an overview of the terms and structure of the proposed transaction. At the meeting, Assured's financial advisor reviewed with the board of directors of Assured certain financial aspects of the transaction. In addition, Mayer Brown reviewed with the Assured board of directors the legal terms of the proposed transaction.

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On November 13, 2008, the special acquisition committee of Assured's board of directors met telephonically. Members of senior management of Assured and representatives of Assured's legal and financial advisors also participated in the meeting. The special acquisition committee was provided with an overview of the final terms and structure of the proposed transaction which were within the financial parameters previously approved by the board of directors. After the conclusion of the telephone call, the members of the special acquisition committee executed a unanimous written consent approving the final terms of the acquisition and the form of the stock purchase agreement.

In connection with the execution of the stock purchase agreement, Banc of America Securities delivered to Assured's board of directors a written opinion dated November 14, 2008, to the effect that, as of the date of the opinion and based on and subject to various assumptions and limitations described in its opinion, 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 for the acquisition of FSAH was fair, from a financial point of view, to Assured.

Following final approval of Assured's special acquisition committee on behalf of Assured's board of directors, the parties and their counsel continued to work to finalize the stock purchase agreement, and early in the morning on November 14, 2008, the parties executed the stock purchase agreement, the WLR Funds delivered the WLR Backstop Commitment, the WLR Funds and ACE Bermuda delivered their voting agreements and the transaction was announced in press releases issued by Dexia and Assured.

Subsequently, the parties prepared and filed the necessary applications for regulatory approval of the acquisition.

Reasons for the Transaction; Recommendation of the Assured Board of Directors

At a number of meetings, both in person and telephonic, Assured's board of directors discussed with management and Assured's legal and financial advisors various aspects of the acquisition. Wilbur L. Ross, Jr., an affiliate of the WLR Funds, did not participate in any of the deliberations or voting with respect to the acquisition. After discussion and careful deliberation over the course of a number of weeks, Assured's board of directors concluded that the acquisition is in the best interests of Assured and its shareholders.

In reaching this conclusion, Assured's board of directors considered the future prospects of Assured on a standalone basis relative to its future prospects resulting from the transaction. Assured's board of directors also considered the strategic options available to Assured, including other potential transactional opportunities, and the risks and uncertainties associated with such alternatives. In evaluating the stock purchase agreement, the Assured board of directors consulted with Assured's management with respect to the transaction, with Assured's financial advisor with respect to certain financial aspects of the acquisition and with Assured's legal counsel as to the board's fiduciary duties and the terms of the stock purchase agreement and the other agreements entered into in connection with the stock purchase agreement. In reaching its determination to approve the stock purchase agreement, the Assured board of directors considered the following material factors:

The board of directors' knowledge of Assured's business, operations, financial condition and prospects and of FSAH's business, operations, financial condition and prospects, taking into account the results of Assured's due diligence review of FSAH and discussions with management of FSAH.

The board of directors' view of the current and prospective conditions in the financial guaranty industry, including economic conditions, the competitive environment, consolidation trends and the likely effect of these factors on Assured's and FSAH's potential growth, profitability and strategic options.

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The board of directors' assessment that the acquisition of FSAH is reasonably likely to enhance Assured's size and visibility within the financial guaranty industry and enable Assured to remain competitive with Assured's major competitors.

The board of directors' understanding of the other strategic alternatives likely to be available to Assured and the growth opportunities offered by such alternatives compared with the growth opportunities presented by the acquisition of FSAH.

The stable earnings stream resulting from the increased size of the combined investment portfolio of Assured and FSAH.

The significant synergy opportunities identified by Assured management in connection with the acquisition of FSAH, including expected cost savings and increased revenue opportunities, and the timeline for achievement of these synergies projected by Assured management following its due diligence investigation of FSAH.

The stockholder and regulatory approvals required in connection with the acquisition of FSAH and the other terms of the stock purchase agreement, and the likelihood that, once the stock purchase agreement had been entered into, the acquisition of FSAH would be completed if the issuance of Assured common shares in accordance with the terms of the stock purchase agreement were approved by Assured's shareholders and the acquisition of FSAH were approved by applicable regulatory agencies.

The opinion of Banc of America Securities, dated November 14, 2008, to Assured's board of directors 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 of FSAH, as more fully described below in the section entitled " Opinion of Assured's Financial Advisor."

In the course of its deliberations, the Assured board of directors also considered a variety of risks, uncertainties and other potentially negative factors concerning the acquisition of FSAH, including without limitation the risks described under "Risk Factors" and the following:

The fact that Dexia may own up to 24.9% of Assured's outstanding common shares upon consummation of the acquisition of FSAH.

The possibility that the synergies and other financial and strategic benefits expected to be achieved in the acquisition of FSAH would not be obtained on a timely basis or at all.

The diversion of management and employee attention during the period after the signing of the stock purchase agreement and the potential effect of this on Assured's business.

The risks and costs that could be borne by Assured if the acquisition of FSAH is not completed.

The risks that necessary regulatory and shareholder approval would not be obtained.

The foregoing discussion of the information considered by Assured's board of directors is not intended to be exhaustive, but includes the material factors that Assured's board of directors considered in approving and recommending the issuance of Assured common shares in accordance with the terms of the stock purchase agreement. The Assured board, together with Assured management and Assured's advisors, conducted numerous discussions of the factors described above. In view of the wide variety of factors considered by Assured's board of directors in connection with its evaluation of the acquisition of FSAH and the complexity of these factors, Assured's board of directors did not consider it practical to, nor did it attempt to, quantify, rank or otherwise assign any specific or relative weights to the specific factors that it considered in the course of reaching its decision. In addition, in considering the factors described above, individual directors may have assigned different

weights to

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different factors. The board of directors discussed the factors described above and, by the unanimous vote of all of the directors present at the meeting, determined that the acquisition of FSAH was in the best interests of Assured and its shareholders.

The above explanation of the reasoning of Assured's board of directors and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under "Forward-Looking Statements."

For the reasons set forth above, Assured's board of directors has approved the stock purchase agreement, the other agreements entered into in connection with the stock purchase agreement and the transactions contemplated by those agreements, has concluded that the transactions are advisable and in the best interests of Assured and its shareholders and recommends that Assured shareholders vote "FOR" approval of the issuance of Assured common shares to Dexia Holdings in accordance with the stock purchase agreement and to the WLR Funds in accordance with the WLR Backstop Commitment.

Opinion of Assured's Financial Advisor

Assured has retained Banc of America Securities to act as Assured's financial advisor in connection with the transaction. Banc of America Securities is an internationally recognized investment banking firm which is regularly engaged in providing financial advisory services in connection with mergers and acquisitions. Assured selected Banc of America Securities to act as Assured's financial advisor in connection with the transaction on the basis of Banc of America Securities' experience in transactions similar to the transaction, its reputation in the investment community and its familiarity with Assured and its business.

On November 14, 2008, Banc of America Securities delivered to Assured's board of directors a written opinion dated November 14, 2008, to the effect that, as of the date of the opinion and based on and subject to various assumptions and limitations described in its opinion, 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 of FSAH was fair, from a financial point of view, to Assured.

The full text of Banc of America Securities' written opinion to Assured's board of directors, 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. The following summary of Banc of America Securities' opinion is qualified in its entirety by reference to the full text of the opinion. 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.

In connection with rendering its opinion, Banc of America Securities:

reviewed certain publicly available business and financial information relating to FSAH and Assured;

reviewed certain internal financial and operating information with respect to the business, operations and prospects of FSAH furnished to or discussed with Banc of America Securities by FSAH's management, including certain financial forecasts relating to FSAH prepared by FSAH's management, which forecasts are referred to as the FSAH forecasts;

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reviewed an alternative version of the FSAH forecasts incorporating certain adjustments made by Assured's management, which adjusted forecasts are referred to as the adjusted FSAH forecasts, and discussed with Assured's management its assessments as to the relative likelihood of achieving the future financial results reflected in the FSAH forecasts and the adjusted FSAH forecasts;

reviewed certain internal financial and operating information with respect to the business, operations and prospects of Assured furnished to or discussed with Banc of America Securities by Assured's management, including certain financial forecasts relating to Assured prepared by Assured's management, which forecasts are referred to as the Assured forecasts;

reviewed certain estimates as to the amount and timing of cost savings anticipated by Assured's management to result from the acquisition, which cost savings are referred to as potential cost savings;

discussed with members of senior managements of Assured and FSAH the past and current business, operations, financial condition and prospects of FSAH and certain trends and recent developments in, and prospects for, the credit and financial markets, including the potential impact of such trends and developments on FSAH;

discussed with members of senior management of Assured the past and current business, operations, financial condition and prospects of Assured, certain trends and recent developments in, and prospects for, the credit and financial markets, including the potential impact of such trends and developments on Assured and such management's assessments as to the ability of Assured to integrate the businesses and operations of Assured and FSAH;

reviewed the potential pro forma financial impact of the acquisition on the future financial performance of Assured, including the potential effect on Assured's estimated earnings per share, book value per share and return on equity, in each case, after taking into account potential cost savings and the financing for the acquisition;

reviewed the trading history for Assured common shares and a comparison of such trading history with the trading histories of other companies Banc of America Securities deemed relevant;

compared certain financial information of FSAH and certain financial and stock market information of Assured with similar information of other companies Banc of America Securities deemed relevant;

compared certain financial terms of the acquisition to financial terms, to the extent publicly available, of other transactions Banc of America Securities deemed relevant;

reviewed the stock purchase agreement;

discussed with members of senior managements of Assured, FSAH and Dexia FSAH's financial products business and related assets and liabilities and certain other businesses that may be separated from FSAH, including, among other things, the fact that certain current credit facilities, letters of credit and capital commitments from affiliates of Dexia for such business will remain in full force and effect, a guarantee of all payment obligations relating to assets and liabilities of such business will be provided by Dexia and/or the governments of Belgium, France and/or the United States of America pursuant to certain guaranty, security and other agreements to be entered into as a condition to the closing of the acquisition as more fully described in the stock purchase agreement and the assets, liabilities and operations of such business will be managed by Dexia or affiliates thereof unless such business is transferred to Dexia Holdings or an affiliate thereof, collectively referred to as the financial products arrangements; and

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performed such other analyses and studies and considered such other information and factors as Banc of America Securities deemed appropriate.

In arriving at its opinion, Banc of America Securities assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with Banc of America Securities and relied upon the assurances of the managements of Assured and FSAH that they were not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any material respect. With respect to the FSAH forecasts, Banc of America Securities was advised by FSAH, and assumed, that such forecasts were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of FSAH's management as to FSAH's future financial performance. With respect to the adjusted FSAH forecasts, the Assured forecasts and potential cost savings, Banc of America Securities assumed, at Assured's direction, that they were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of Assured's management as to the future financial performance of FSAH and Assured and the other matters covered thereby and, based on the assessments of Assured's management as to the relative likelihood of achieving the future financial results reflected in the FSAH forecasts and the adjusted FSAH forecasts, Banc of America Securities relied, at Assured's direction, on the adjusted FSAH forecasts for purposes of its opinion. At Assured's direction, Banc of America Securities excluded certain of FSAH's businesses that may be separated from FSAH and FSAH's financial products business from its analysis of FSAH based on the assumption that such business will be managed by Dexia or affiliates thereof and all liabilities arising from or relating to such business will be fully guaranteed pursuant to the financial products arrangements.

Banc of America Securities assumed, with Assured's consent, that any adjustments to the aggregate consideration to be paid by Assured will not be material to its opinion. Banc of America Securities relied, at Assured's direction, on the assessments of Assured's senior management as to the ability of Assured to integrate the businesses and operations of Assured and FSAH. Banc of America Securities is not an actuary and its services did not include actuarial determinations or evaluations or any attempt to evaluate actuarial assumptions or allowances for losses with respect thereto and, accordingly, Banc of America Securities made no analysis of, and expressed no opinion as to, the adequacy of the loss and loss adjustment expense reserves of FSAH or Assured, and was advised and therefore assumed that such allowances for FSAH and Assured were, and on a pro forma basis would be, in the aggregate adequate to cover such losses. Banc of America Securities did not make, and was not provided with, any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise), including the loss and loss adjustment expense reserves, of FSAH or Assured, nor did Banc of America Securities make any physical inspection of the properties or assets of FSAH or Assured. Banc of America Securities did not evaluate the solvency of FSAH or Assured under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. Banc of America Securities assumed, at Assured's direction, that the transaction would be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the transaction, no delay, limitation, restriction or condition would be imposed that would have a material adverse effect on FSAH, Assured or the contemplated benefits of the transaction.

Banc of America Securities expressed no view or opinion as to any terms or other aspects of the transaction (other than the aggregate consideration to the extent expressly specified in its opinion), including, without limitation, the form or structure of the transaction or the aggregate consideration or any terms or other aspects of the financial products arrangements or any financing for the transaction to be provided by the WLR Funds or other third parties. Banc of America Securities' opinion was limited to the fairness, from a financial point of view, to Assured of the aggregate consideration to be paid by Assured to Dexia Holdings in the acquisition of FSAH and no opinion or view was expressed

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with respect to any consideration received in connection with the transaction by the holders of any class of securities, creditors or other constituencies of any party. In addition, no opinion or view was expressed with respect to the fairness of the amount, nature or any other aspect of any compensation to any of the officers, directors or employees of any party to the transaction, or class of such persons, relative to the aggregate consideration. Furthermore, no opinion or view was expressed as to the relative merits of the transaction in comparison to other strategies or transactions that might be available to Assured or in which Assured might engage or as to the underlying business decision of Assured to proceed with or effect the acquisition and related financing (including the manner in which the acquisition will be financed). Banc of America Securities expressed no opinion as to what the value of Assured common shares actually will be when issued or the prices at which Assured common shares will trade at any time. In addition, Banc of America Securities expressed no opinion or recommendation as to how any shareholder should vote or act in connection with the transaction.

Banc of America Securities' opinion was necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to Banc of America Securities as of, the date of its opinion. The credit, financial and stock markets are experiencing unusual volatility and Banc of America Securities expressed no opinion or view as to any potential effects of such volatility on FSAH, Assured or the transaction. It should be understood that subsequent developments may affect its opinion, and Banc of America Securities does not have any obligation to update, revise or reaffirm its opinion. The issuance of Banc of America Securities' opinion was approved by Banc of America Securities' fairness opinion review committee. Except as described above, Assured imposed no other limitations on the investigations made or procedures followed by Banc of America Securities in rendering its opinion.

The following represents a brief summary of the material financial analyses presented by Banc of America Securities to Assured's board of directors in connection with its opinion. **The financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses performed by Banc of America Securities, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses performed by Banc of America Securities. Considering the data set forth in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses performed by Banc of America Securities.** For purposes of the financial analyses summarized below, the "implied aggregate consideration value" refers to an implied aggregate consideration of \$722 million based on \$361 million in cash and 44,567,901 Assured common shares at a per share price of \$8.10. As described above, in evaluating FSAH, Banc of America Securities excluded FSAH's financial products business and certain of FSAH's businesses that may be separated from FSAH.

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FSAH Financial Analysis

Selected Publicly Traded Companies Analysis. Banc of America Securities reviewed publicly available financial information for FSAH and publicly available financial and stock market information for the following five selected publicly traded companies in the financial guaranty industry:

Ambac Financial Group, Inc.

Assured

MBIA Inc.

RAM Holdings Ltd.

Syncora Holdings Ltd.

Banc of America Securities reviewed, among other things, market values of the selected publicly traded companies as a multiple of actual or estimated book value as of September 30, 2008. Banc of America Securities then applied a range of selected book value multiples derived from the selected publicly traded companies to FSAH's book value as of September 30, 2008. Financial data of the selected publicly traded companies were based on publicly available information and publicly available research analysts' estimates. Financial data of FSAH were based on the adjusted FSAH forecasts. This analysis indicated the following implied equity value reference range for FSAH, as compared to the implied aggregate consideration value:

Implied Equity Value Reference Range for FSAH		Implied Aggregate Consideration Value
\$577 million	\$962 million	\$722 million

No company used in this analysis is identical to FSAH. Accordingly, an evaluation of the results of this analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading or other values of the companies to which FSAH was compared.

Selected Precedent Transactions Analysis. Banc of America Securities reviewed, to the extent publicly available, financial information relating to the following seven selected transactions involving companies in the financial guaranty industry:

Announcement Date	Acquiror	Target
8/4/03	Investor Group (led by The PMI Group, Inc.)	FGIC Corporation
11/14/00	Radian Group Inc.	Enhance Financial Services Group Inc.
3/14/00	Dexia	FSAH
5/26/99	ACE Limited	Capital Re Corporation (Assured's predecessor)
10/29/97	MBIA Inc.	Capital Markets Assurance Corporation
10/22/97	Ambac Financial Group, Inc.	Connie Lee Insurance Company
8/18/95	FSAH	Capital Guaranty Corporation

Banc of America Securities reviewed, among other things, purchase prices paid in the selected transactions as a multiple of the book value of the target company as of the most recent completed accounting period prior to announcement of the relevant transaction. Banc of America Securities then applied a selected range of book value multiples derived from the selected transactions to FSAH's book value as of September 30, 2008. Financial data of the selected precedent transactions were based on

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publicly available financial information at the time of announcement of the relevant transaction. Financial data of FSAH were based on the adjusted FSAH forecasts. This analysis indicated the following implied equity value reference range for FSAH, as compared to the implied aggregate consideration value:

Implied Equity Value Reference Range for FSAH	Implied Aggregate Consideration Value
\$1,251 million \$1,925 million	\$722 million

No company, business or transaction used in this analysis is identical to FSAH or the acquisition. Accordingly, an evaluation of the results of this analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the acquisition or other values of the companies, business segments or transactions to which FSAH and the acquisition were compared.

Discounted Cash Flow Analysis. Banc of America Securities performed a discounted cash flow analysis of FSAH to calculate the estimated present value of the maximum allowable dividends that FSAH was forecasted to generate from calendar years 2009 through 2013 based on the adjusted FSAH forecasts, both with and without potential cost savings anticipated by Assured's management to result from the acquisition. Banc of America Securities calculated the maximum allowable dividends based on the lesser of (a) the New York Insurance Law dividend test (calculated as the lesser of (i) FSAH's current year adjusted net investment income and (ii) 10% of FSAH's statutory capital and surplus requirements for the most recent year-end) and (b) the maximum dividends allowed to maintain a target operating ratio of net premiums written to statutory capital and surplus requirements of 0.45x. Banc of America Securities calculated terminal values for FSAH by applying terminal value multiples of 0.30x to 0.50x to FSAH's calendar year 2013 estimated book value. The dividends and terminal values were then discounted to present value as of December 31, 2008 using discount rates ranging from 15.0% to 18.0%. This analysis indicated the following implied equity value reference range for FSAH, both with and without potential cost savings, as compared to the implied aggregate consideration value:

Implied Equity Value Reference Ranges for FSAH		Implied Aggregate Consideration Value
Without Cost Savings	With Cost Savings	
\$835 million \$1,205 million	\$875 million \$1,260 million	\$722 million

Assured Financial Analysis

Selected Publicly Traded Companies Analysis. Banc of America Securities reviewed publicly available financial and stock market information for Assured and the following four selected publicly traded companies in the financial guaranty industry:

Ambac Financial Group, Inc.

MBIA Inc.

RAM Holdings Ltd.

Syncora Holdings Ltd.

Banc of America Securities reviewed, among other things, market values of the selected publicly traded companies as a multiple of actual or estimated book value per share as of September 30, 2008. Banc of America Securities then applied a range of selected book value per share multiples derived from the selected publicly traded companies to Assured's actual book value per share as of September 30, 2008. Financial data of the selected publicly traded companies and Assured were based on publicly available information and publicly available research analysts' estimates. This analysis

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indicated the following implied per share equity value reference range for Assured, as compared to Assured's closing share price as of November 13, 2008:

Implied Per Share Equity Value Reference Range for Assured	Assured Closing Share Price as of November 13, 2008
\$6.89 \$11.49	\$8.10

Discounted Cash Flow Analysis. Banc of America Securities performed a discounted cash flow analysis of Assured to calculate the estimated present value of the total dividend capacity of Assured that Assured was forecasted to generate from calendar years 2009 through 2013 based on the Assured forecasts. Banc of America Securities calculated the total dividend capacity of Assured by adding the total dividend capacity of its dividend producing subsidiaries, AGC (calculated based on the New York Insurance Law dividend test referred to above) and AG Re (calculated based on the lesser of (a) the Bermuda Monetary Authority capital reduction test (15% of such subsidiary's statutory capital requirements) and (b) the maximum dividends allowed to maintain a target operating ratio of net premiums written to statutory capital and surplus requirements of 0.25x). Banc of America Securities calculated terminal values for Assured by applying terminal value multiples of 0.30x to 0.50x to Assured's calendar year 2013 estimated book value. The dividends and terminal values were then discounted to present value as of December 31, 2008 using discount rates ranging from 15.0% to 18.0%. This analysis indicated the following implied per share equity value reference range for Assured, as compared to Assured's closing share price as of November 13, 2008:

Implied Per Share Equity Value Reference Range for Assured	Assured Closing Share Price as of November 13, 2008
\$10.85 \$15.35	\$8.10

Pro Forma Accretion/Dilution Analysis

Banc of America Securities reviewed the potential pro forma financial impact of the acquisition, after taking into account potential cost savings and the financing for the acquisition, on Assured's calendar years 2009 through 2012 estimated earnings per share, referred to as EPS, return on equity, referred to as ROE, and book value per share. Estimated financial data of Assured and potential cost savings were based on internal estimates of Assured's management and estimated financial data of FSAH were based on the adjusted FSAH forecasts. After taking into account potential cost savings and the financing for the acquisition, this analysis indicated that the acquisition could be accretive to Assured's estimated EPS and ROE for calendar years 2009 through 2012 and dilutive to Assured's estimated book value per share for calendar years 2009 through 2012. The actual results achieved by the combined company may vary from projected results and the variations may be material.

Miscellaneous

As noted above, the discussion set forth above is a summary of the material financial analyses presented by Banc of America Securities to Assured's board of directors in connection with its opinion and is not a comprehensive description of all analyses undertaken by Banc of America Securities in connection with its opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to partial analysis or summary description. Banc of America Securities believes that its analyses summarized above must be considered as a whole. Banc of America Securities further believes that selecting portions of its analyses and the factors considered or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying Banc of America Securities' analyses and opinion. The fact that any specific analysis has been referred

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to in the summary above is not meant to indicate that such analysis was given greater weight than any other analysis referred to in the summary.

In performing its analyses, Banc of America Securities considered industry performance, general business and economic conditions and other matters, many of which are beyond the control of Assured and FSAH. The estimates of the future performance of FSAH and Assured in or underlying Banc of America Securities' analyses are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than those estimates or those suggested by Banc of America Securities' analyses. These analyses were prepared solely as part of Banc of America Securities' analysis of the fairness, from a financial point of view, to Assured of the aggregate consideration to be paid by Assured to Dexia Holdings in the acquisition and were provided to Assured's board of directors in connection with the delivery of Banc of America Securities' opinion. The analyses do not purport to be appraisals or to reflect the prices at which a company might actually be sold or the prices at which any securities have traded or may trade at any time in the future. Accordingly, the estimates used in, and the ranges of valuations resulting from, any particular analysis described above are inherently subject to substantial uncertainty and should not be taken to be Banc of America Securities' view of the actual value of FSAH or Assured.

The type and amount of consideration payable in the transaction was determined through negotiations between Assured and Dexia, rather than by any financial advisor, and was approved by Assured's board of directors. The decision to enter into the stock purchase agreement was solely that of Assured's board of directors. As described above, Banc of America Securities' opinion and analyses were only one of many factors considered by Assured's board of directors in its evaluation of the proposed acquisition and should not be viewed as determinative of the views of Assured's board of directors or management with respect to the acquisition or the aggregate consideration.

Assured has agreed to pay Banc of America Securities for its services in connection with the acquisition an aggregate fee of \$9 million, a portion of which was payable upon the rendering of Banc of America Securities' opinion and a significant portion of which is contingent upon the completion of the acquisition. In addition, Banc of America Securities and certain of its affiliates expect to participate in the financing for the acquisition, for which services Banc of America Securities and such affiliates will receive significant compensation, including acting as joint book-running underwriter on a potential equity offering of Assured. Assured also has agreed to reimburse Banc of America Securities for reasonable expenses, including reasonable fees and disbursements of Banc of America Securities' counsel, incurred in connection with Banc of America Securities' engagement, and to indemnify Banc of America Securities, any controlling person of Banc of America Securities and each of their respective directors, officers, employees, agents, affiliates and representatives against specified liabilities, including liabilities under the federal securities laws.

Banc of America Securities and its affiliates comprise a full service securities firm and commercial bank engaged in securities trading and brokerage activities and principal investing as well as providing investment, corporate and private banking, asset and investment management, financing and financial advisory services and other commercial services and products to a wide range of corporations and individuals. In the ordinary course of its businesses, Banc of America Securities and its affiliates may actively trade the debt, equity or other securities or financial instruments (including bank loans or other obligations) of Assured, FSAH, Dexia and certain of their respective affiliates, for its own account or for the accounts of customers and, accordingly, Banc of America Securities or its affiliates may at any time hold long or short positions in such securities or financial instruments.

Banc of America Securities and its affiliates in the past have provided, currently are providing, and in the future may provide investment banking, commercial banking and other financial services to Assured and have received or in the future may receive compensation for the rendering of these services, including having acted or acting as (i) joint book-running manager in connection with certain

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equity or debt offerings of Assured, (ii) sole manager on a block trade for Assured, (iii) lender or potential lender under certain credit facilities and other lines of credit for Assured and (iv) financial advisor to Assured in connection with certain acquisition transactions.

In addition, Banc of America Securities and its affiliates in the past have provided, currently are providing, and in the future may provide investment banking, commercial banking and other financial services to Dexia and certain of its affiliates (including FSAH) and have received or in the future may receive compensation for the rendering of these services, including (i) providing certain fixed income, derivatives and/or other trading services to Dexia and certain of its affiliates (including FSAH), (ii) acting as lender under certain credit facilities, term loans and other lines of credit for Dexia and (iii) providing certain treasury and cash management services to Dexia and certain of its affiliates (including FSAH).

Interests of Certain Persons in the Transactions

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 the letters of credit to secure the WLR Funds' performance 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."

Mr. Ross did not participate in or vote on the approval of the acquisition of FSAH or the WLR Backstop Commitment. In accordance with Assured's corporate governance guidelines, the WLR Backstop Commitment was approved by both Assured's audit committee and nomination and governance committee.

Existing Relationship with FSA

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

Antitrust Filing

Under the HSR Act and the rules promulgated thereunder by the FTC, the acquisition may not be consummated until notifications have been given and certain information has been furnished to the FTC and the DOJ and specified waiting period requirements have been satisfied. 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 Regulatory Approval

Before a person can acquire control of a U.S. insurance company, prior written approval must be obtained from the insurance commissioner of the state where the domestic insurer is domiciled. Prior to granting approval of an application to acquire control of a domestic insurer, the state insurance

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commissioner will consider such factors as the financial strength of the applicant, the integrity and management of the applicant's board of directors and executive officers, the acquirer's plans for the future operations of the domestic insurer, and any anti-competitive results that may arise from the consummation of the acquisition of control. Similar requirements apply to the acquisition of control of a U.K. insurance company. Assured has filed applications with the insurance departments of the States of New York and Oklahoma with respect to the acquisition of control of FSAH's New York and Oklahoma domiciled insurance subsidiaries and with the U.K. Financial Services Authority with respect to the acquisition of control of FSAH's U.K. insurance subsidiary. In addition, Assured has provided notice of the transaction to the Bermuda Monetary Authority and has made pre-acquisition filings regarding the potential competitive impact of the transaction.

Generally, state statutes provide that control over a domestic insurer is presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing 10% or more of the voting securities of the domestic insurer. Because a person acquiring 10% or more of our common shares would indirectly control the same percentage of the stock of our insurance subsidiaries, the insurance change of control laws would likely apply to the acquisition of Assured common shares by Dexia Holdings pursuant to the stock purchase agreement and potentially to the acquisition of Assured common shares by the WLR Funds pursuant to the WLR Backstop Commitment. The presumption of control can be rebutted by showing to an insurance department's satisfaction that a shareholder does not in fact have the ability to direct or cause the direction of the management and policies of the insurer. Dexia and the WLR Funds have filed disclaimers of control with the insurance departments of the States of Maryland, New York and Oklahoma to show that they do not control Assured's domestic insurance subsidiaries, because, among other reasons, their 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, they do not have control of the Assured board of directors, and they do not have any special voting rights with respect to their common shares. Dexia and the WLR Funds have also filed applications with the U.K. Financial Services Authority seeking that agency's approval of their ownership interests in Assured. Dexia and the WLR Funds will also file notice with the Bermuda Monetary Authority with respect to their proposed ownership interest in Assured.

Other

In addition to the foregoing, Assured may be required to obtain regulatory approvals, file notices or make certain other filings in other jurisdictions in which FSAH or one or more of its subsidiaries maintains an office, conducts business or has customers. As of the date of this proxy statement, Assured does not expect any such approvals, notices or filings to be material in connection with the acquisition.

Timing

We cannot assure you that all of the regulatory approvals described above will be obtained and, if obtained, we cannot assure you as to the timing of any approvals, our ability to obtain the approvals on satisfactory terms or the absence of any litigation challenging such approvals. We also cannot assure you that the DOJ, the FTC, a state attorney general or a private party will not attempt to challenge the acquisition of FSAH on antitrust grounds and, if such a challenge is made, we cannot assure you as to its result.

We believe that the acquisition does not raise substantial antitrust or other significant regulatory concerns and that we will be able to obtain all requisite regulatory approvals on a timely basis without the imposition of any condition that would have a material adverse effect on us. The obligations of Assured and Dexia Holdings to consummate the acquisition are subject to the condition that no judgment, decree, injunction or restraining order shall have been issued by any court of competent

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jurisdiction and be in effect, nor shall there be pending any suit or action instituted by any governmental entity which would prohibit or make illegal the acquisition of FSAH by Assured.

It is presently contemplated that if any governmental approvals or actions are required beyond those listed above, such approvals or actions will be sought. We cannot assure you, however, that any additional approvals or actions will be obtained. Assured and Dexia Holdings are required to use their reasonable best efforts to file all the necessary documentation and obtain all consents of third parties that are necessary to consummate the acquisition and to comply with the terms and conditions of all consents, approvals and authorizations of any third party or governmental entity.

Material U.S. Federal Income Tax Consequences of the Transaction to Holders of Assured Common Shares

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.

The acquisition by Dexia Holdings or its designated affiliate of more than 10% of the Assured common shares raises a question whether any of Assured and/or its non-U.S. subsidiaries could become a "controlled foreign corporation", which we refer to in this proxy statement as a "CFC" under the Internal Revenue Code. If Assured or its non-U.S. subsidiaries become a CFC, each 10% U.S. shareholder of Assured or any non-U.S. subsidiary that is a CFC on the last day of Assured's taxable year would be required to include in its gross income for U.S. federal income tax purposes its pro rata share of Assured's and non-U.S. subsidiaries' "subpart F income," even if the subpart F income is not distributed. We believe that Dexia Holdings' agreement to limit the voting power of its Assured common shares to less than 9.5%, will prevent Dexia Holdings from being considered a 10% U.S. shareholder of Assured or any of its non-U.S. subsidiaries and that the issuance of common shares to Dexia Holdings will not cause Assured to become a CFC. It is possible, however, that the IRS could challenge the effectiveness of these provisions and that a court could sustain such a challenge.

Anticipated Accounting Treatment

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

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

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THE STOCK PURCHASE AGREEMENT AND ANCILLARY AGREEMENTS

The following describes certain aspects of the acquisition of FSAH, including material provisions of the stock purchase agreement. The following description of the stock purchase agreement is subject to, and qualified in its entirety by reference to, the stock purchase agreement, which is attached to this document as Appendix A and is incorporated by reference in this document. We urge you to read the stock purchase agreement carefully.

Basic Terms and Structure of the Transaction

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 Crédit Local has irrevocably guaranteed the payment and performance by Dexia Holdings of all of its liabilities and obligations under the stock purchase agreement. 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. See " Survival of Representations and Warranties and Covenants; Indemnification."

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. If, prior to the closing date under the stock purchase agreement, Assured issues new Assured common shares (other than pursuant to an employee benefit plan) or other securities that are convertible into or exchangeable for or otherwise linked to Assured's common shares at a purchase price per share of less than \$8.10, Assured has agreed to issue to Dexia Holdings on the closing date an additional number of Assured common shares with an aggregate value as of the closing date (measured based on the average of the volume weighted average price per share for each day in the 20 NYSE trading day period ending three business days prior to the closing date) representing the amount of dilution as a result of such issuance. The amount of dilution is defined to mean (x) the number of Assured common shares issued (or that upon conversion or exchange would be issuable) as a result of the dilutive issuance, multiplied by (y) the positive difference if any between \$8.10 and the purchase (or reference, implied, conversion, exchange or comparable) price per share received by Assured in the dilutive issuance, multiplied by (z) the percentage of the issued and outstanding share capital of Assured represented by the Assured common shares to be received by Dexia Holdings under the stock purchase agreement (without taking into account any additional Assured common shares issued or issuable as a result of the anti-dilution provision).

Under the stock purchase agreement, Assured may elect to pay \$8.10 per share in cash in lieu of up to 22,283,951 Assured common shares that it would otherwise deliver as part of the purchase price.

Under the stock purchase agreement, Assured has agreed to acquire FSAH and, indirectly, all of its subsidiaries. FSAH's financial products subsidiaries conduct FSAH's financial products business which Assured is not acquiring. Under the stock purchase agreement, Assured and Dexia Holdings have agreed to negotiate the transaction agreements pursuant to which Dexia Holdings or its affiliates would guarantee the assets and liabilities of the GIC subsidiaries for the benefit of FSA (and, if FSAH continues to own FSAM and the GIC subsidiaries, indemnify Assured and FSA against losses arising after the closing of the acquisition from, the assets, liabilities, operations and business of the financial products business). See " Financial Products Agreements."

The stock purchase agreement provides that Dexia Holdings may (and, if the sovereign guarantees are issued, Dexia Holdings must) elect to cause FSAH to transfer the ownership interests of FSAM and

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the GIC subsidiaries, or all of the assets and liabilities of FSAM and the GIC subsidiaries, to Dexia Holdings or one of its affiliates in form reasonably acceptable to Assured. Dexia has informed Assured that it anticipates receiving the sovereign guarantees, in which case, FSAM and the GIC subsidiaries will be transferred to Dexia Holdings or an affiliate prior to the closing. In the event Dexia does not receive the sovereign guarantees and elects not to effect a transfer of FSAM and the GIC subsidiaries, Dexia Holdings will enter into an agreement to manage the assets, liabilities, operations and business of FSAM and the GIC subsidiaries and indemnify Assured for losses arising after the closing date from the assets, liabilities, operations and business of FSAM and the GIC subsidiaries. See " FSAM Asset Management Agreement." 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 " Financial Products Agreements FSA Global Agreement."

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

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

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

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

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

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

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

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.

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Board Representation

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

Dexia Guarantees

FSAH's financial products business includes the issuance of GICs and MTNs. Through the GIC subsidiaries, FSAH provides GICs to municipalities and other market participants. In return for an initial payment, each GIC entitles its holder to receive the return of the holder's initial principal plus interest at a specified rate, and to withdraw principal from the GIC as permitted. FSA insures all GICs issued by the GIC subsidiaries, the payment of scheduled payments on certain assets purchased by FSAM with the proceeds of the initial payments and various hedging and other swap agreements entered into by FSAM in connection with managing these assets. Even though Assured expects that the GIC subsidiaries will be distributed by FSAH to Dexia Holdings or one of its affiliates, FSA's guarantees of the GICs issued by the GIC subsidiaries will remain in effect after the closing.

Under the stock purchase agreement, Assured and Dexia have agreed to cooperate in good faith to promptly negotiate and execute an agreement pursuant to which Dexia will guarantee the following:

the scheduled payments of interest and principal in relation to each asset owned by FSAM as of the closing date (we refer to this guarantee as the "Dexia asset guarantee");

all payment obligations of the GIC subsidiaries under the GICs, including any prepayment, termination or collateral posting obligations (we refer to this guarantee as the "Dexia GIC guarantee"); and

the payment of all liabilities of FSAM under interest rate or currency hedging derivative agreements to which FSAM is a party and certain other FSAM notes and repurchase agreements.

If so requested by Assured, Dexia will use commercially reasonable efforts to structure the Dexia asset guarantee as one or more credit swaps on the FSAM assets structured to qualify as a "swap agreement" under the U.S. Bankruptcy Code, such that the swap agreements and the collateral posted with respect to the swap agreements would be subject to enforcement and closeout safe harbors.

The Dexia asset guarantee is expected to be governed by the laws of Belgium. Any swap agreements and any collateral otherwise posted with respect to the Dexia asset guarantee as described below will be governed by New York law and any related collateral posted will be held by a custodian in a segregated custody account in the State of New York.

Under the stock purchase agreement, Assured and Dexia have also agreed that, following closing, without the consent of Dexia and FSA, no new GICs will be entered into and no other new business will be written by FSAM or the GIC subsidiaries, and FSAM and the GIC subsidiaries will not incur any indebtedness, other than under the revolving credit facility, and the securities lending agreement, each of which is described below, or pursuant to other swaps, repurchase agreements and securities lending arrangements, in each case in the ordinary course of managing the existing business of FSAM and the GIC subsidiaries.

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Sovereign Guarantees

Dexia has informed Assured that it anticipates receiving from the states of Belgium and France, which we refer to in this proxy statement as the "sovereign guarantors," the sovereign guarantees, which will guaranty, for the benefit of FSAM, the GIC subsidiaries and FSA, the obligation of Dexia under the Dexia asset guarantee in respect of scheduled payments on the FSAM assets.

Dexia is still negotiating the definitive terms of the sovereign guarantees and the terms of the sovereign guarantees may be subject to legal and regulatory actions not yet taken by the sovereign guarantors that will authorize their issuance. There can be no assurance that the sovereign guarantees will be issued by the sovereign guarantors.

Collateral

FSA (which will be owned by Assured) and Dexia will be granted a security interest in all of the assets of FSAM and the GIC subsidiaries, and FSA will be paid from the proceeds of such security interest, in priority to Dexia, with respect to FSA's claims for subrogation or reimbursement arising out of any payments it makes in relation to a GIC or other FSA guarantees issued in relation to the assets and liabilities of the GIC subsidiaries.

To secure the Dexia asset guarantee, and subject to certain conditions, Dexia will post to a custodian (or FSAM will post to a custodian on Dexia's behalf) from time to time eligible collateral (other than any assets of FSAM owned as of the closing date) having an aggregate value (subject to customary "haircuts") equal to the excess of (i) the aggregate principal amount of all outstanding GICs over (ii) the aggregate mark-to-market value of FSAM's assets. The initial posting of collateral will occur on the closing date and Dexia will be required to post additional eligible collateral on any date that the aggregate value of such excess exceeds the value of the posted collateral. The valuation of the aggregate mark-to-market value of FSAM's assets and the posted collateral will occur not less frequently than monthly. In the event that the value of the posted collateral exceeds the aggregate principal amount of GICs by at least \$5 million, Dexia is entitled to have the excess collateral returned to it.

On the date (i) Dexia's obligations under the Dexia asset guarantee benefit from a sovereign guarantee and (ii) Dexia has entered into liquidity arrangements with FSAM in relation to FSAM's obligations to the GIC subsidiaries so that the rating agencies confirm that (A) after giving effect to release of such collateral, each of FSAM and the GIC subsidiaries will be rated at least AA/AA/Aa2 or higher independently of the financial strength rating of FSA and (B) release of such collateral will not result in the downgrading of any rating assigned to the financial strength of FSA immediately prior to such release, the collateral posted by Dexia shall be released in an amount equal to the principal amount of the Dexia asset guarantee obligation in relation to which FSAM shall have recourse to the sovereign guarantors (or if the conditions in (A) and (B) may be met following only a release of the collateral in a partial amount, the relevant partial amount shall be released).

FSAM Asset Management Agreement and Control Rights

In the event FSAM and the GIC subsidiaries are not distributed to Dexia Holdings or one of its affiliates, Dexia, its affiliates or a third-party investment manager appointed by Dexia or its affiliates will supervise, direct and manage the assets, liabilities, operations and business of FSAM and the GIC subsidiaries under an asset management agreement, which we refer to in this proxy statement as the "FSAM asset management agreement."

Under the FSAM asset management agreement, and unless a Dexia event of default or any default by Dexia under the FSAM asset management agreement has occurred and is continuing, Dexia will agree to direct the day to day operations of FSAM and the GIC subsidiaries and will agree to direct

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the management of the assets and liabilities of FSAM and the GIC subsidiaries, including but not limited to cash management, asset liability management and other normal day to day operations of FSAM and the GIC subsidiaries. If a Dexia event of default or any default by Dexia under the FSAM asset management agreement has occurred and is continuing, FSA will exercise the directing rights described in this paragraph.

Unless a Dexia event of default has occurred and is continuing, all rights to vote or give directions or consents as a holder of the FSAM assets will be exercised by Dexia under the FSAM asset management agreement. If a Dexia event of default has occurred and is continuing, FSA will exercise the voting rights described in this paragraph.

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

A "Dexia event of default" under the Dexia guarantees provided in connection with the financial product business are expected to include:

a failure of Dexia to make payment in accordance with the terms of any of the Dexia guarantees not cured by payment of such amount by Dexia or a sovereign guarantor within three days of receipt of notice of such failure;

a failure by Dexia to post required collateral not cured within three days of receipt of notice of such failure; and

certain events of bankruptcy in respect of Dexia occurring and continuing at any time prior to the date a sovereign guarantee is issued.

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

exercise the rights of a secured party in relation to the collateral;

direct the reinvestment of the FSAM assets at its sole discretion in eligible collateral;

maintain the Dexia asset guarantee and Dexia GIC guarantee in force and apply any posted collateral to unpaid liabilities of Dexia in relation to the Dexia asset guarantee; and

prior to the issuance of a sovereign guarantee, terminate the Dexia asset guarantee and apply collateral posted by Dexia to the purchase of a replacement guarantee having substantially the same terms as the Dexia asset guarantee.

FSA Global Agreement

FSA Global and Premier International Funding Co., which we refer to in this proxy statement as "Premier," are variable interest entities that have issued obligations insured under FSAH's leveraged tax lease defeasance business, which is operated as part of FSAH's financial guaranty business, and its MTN business, which is operated as part of FSAH's financial products business.

Under the stock purchase agreement, Assured and Dexia Holdings have agreed to cooperate in good faith to evaluate the feasibility of the actual or functional separation, which we refer to in this proxy statement as the "FSA Global business separation," of FSA Global's leveraged tax lease debt defeasance business and the MTN and leveraged tax lease equity defeasance businesses with a view to (1) maximizing the tax, accounting and financial efficiency of the separation of the businesses for both parties and (2) determining which party will own the capital stock of FSA Global and Premier, and on

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the basis of the results of this evaluation, negotiate an agreement regarding the FSA Global and Premier business separation.

Regardless of the s